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ABSTRACT

A report is presented on hearings conducted by the House Subcommittee on Postsecondary Education on the reauthorization of the Higher Education Act and related measures. Hearings concern the student financial assistance programs authorized by Title IV. Testimony provided an overview of the student financial aid delivery system and a description of the aggregate federal impact on the financing of postsecondary education. Testimony also described the theory and practice of need analysis and the process for the allocation of the funds to states and individual campuses under the Supplemental Educational Opportunity Grant Program, the College Work-Study Program, and the National Direct Student Loan Program. Witnesses described the system for granting eligibility to institutions of higher education to participate in programs authorized by the Higher Education Act, particularly the student financial assistance programs. Other topics addressed include the impact of federal student financial assistance programs on the pricing policies of the private and public institutions of postsecondary education, and recommendations made by a number of postsecondary education associations that students attending postsecondary education institutions less than half time be made eligible for federal student financial assistance. The impact of the federal student financial assistance programs at independent liberal arts colleges was also discussed. (SW)

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REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

Part 3

HEARINGS

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION

HEARINGS HELD IN WASHINGTON, D.C., ON MAY 3, 8, 9 AND
IN OBERLIN, OHIO, ON MAY 14, 1979

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REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

Part 3—Student Financial Assistance

THURSDAY, MAY 3, 1979

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:45 a.m., in room 2261, Rayburn House Office Building, Hon. Peter Peyser, presiding.

Members present: Representatives Ford of Michigan (Chairman of the subcommittee), Peyser, Simon, Ratchford, and Tauke.

Staff present: Thomas R. Wolanin, staff director; Patricia F. Rissler, deputy staff director; and William C. Clohan, minority assistant education counsel.

Mr. Peyser. I would like to make a brief opening statement for the chairman. He will be joining us shortly.

The Subcommittee on Postsecondary Education will now continue hearings on the reauthorization of the Higher Education Act and related measures. Our hearings today will begin our consideration of the student financial assistance programs authorized by title IV of the Higher Education Act. It almost goes without saying that these programs are the centerpiece and heart of the Federal role in support of postsecondary education.

These programs are the primary mechanism for achieving the Federal objectives of broadening equal educational opportunities in our nation by providing students with access to institutions of postsecondary education and providing students a choice of institutions most suited to their needs and interests.

These programs are also the primary means through which Federal support is provided to institutions of postsecondary education.

To select only one from among the many illustrations of the importance of these programs, I would note that of the $5.1 billion appropriated in fiscal 1979 for the programs authorized by the Higher Education Act, $4.7 billion, or 92 percent, of the funds were appropriated for the student financial aid programs.

Our hearing this morning, as well as the two hearings scheduled for next week, will consider some general issues and topics that cut across all of the Federal student financial assistance programs. These hearings will be followed by a detailed examination of the individual programs for providing financial aid.

Our first witness today is Mr. Dallas Martin, executive director of the National Association of Student Financial Aid Administrators, who will provide us with an overview of the student financial aid delivery system, including illustrations of the forms and procedures faced by students and their parents.

Our second witness is Mr. Michael O'Keefe, Deputy Assistant Secretary for Planning and Evaluation of the Department of Health, Education, and Welfare, who will describe the aggregate Federal impact of financing the postsecondary education.

I look forward to hearing both of the witnesses, and I would also like to say at this time that I have just visited three universities and discussed their financial aid program and what they have been doing primarily in the student loan area of correcting a situation that has certainly been a dismal one in the years past on collection of student loans. One of the things that I have observed is that the schools that I visited and other schools I have now talked to seem to have instituted a very active program now for student collection, and I am going to be most interested in hearing your comments on this.

But one of our problems, of course, is what has happened in the past, and the tremendous default situation that has taken place, and we are interested to know also what can be done in that area for those cases that may appear to have been lost, because we don't consider them lost at this point. We are still interested in recouping as much as we can, and I would at that point welcome you, sir, if you would start your testimony.

Incidentally, if you do have written testimony and wish to submit it for the record complete, we will be glad to do so, and you can speak as you wish, or read your testimony. It is up to you.

[The prepared statement of Mr. Martin follows:]

PREPARED STATEMENT OF A. DALLAS MARTIN, JR., EXECUTIVE DIRECTOR AND JOYCE D. DUNAGAN, ASSOCIATE DIRECTOR, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. Chairman and members of the Subcommittee, we appreciate the invitation to appear before you today and to have the opportunity to provide you with an overview of the student financial aid process. We hope this information will be beneficial to you as you begin considering alternatives for the reauthorization of the Higher Education Act.

What we will attempt to do is to give you a micro-overview of each of the steps that occur in the student aid delivery system so you can better understand the various functions performed by each of the parties involved, as well as acquainting you with the forms and applications utilized in this process. To this end, we have provided each of the Subcommittee members a briefing book which outlines the steps and contains the forms that are used.

In beginning this overview, let us review the primary parties who are typically involved in the student aid delivery system:

1. The Student, and his/her family, who initiates an application for student aid and is responsible for completing various forms to determine his/her program eligibility;
2. The High School Guidance Counselor, who provides general financial aid information and information on how to apply for admission and or financial aid at various institutions;
3. The Centralized Need Analysis Services, which are responsible for processing student need analysis reports and disseminating this information to institutions, state, and federal agencies;
4. The Federal Government, which is responsible for legislation, appropriations and overseeing the administration of the title IV student aid programs as well as operating the Basic Educational Opportunity Grant (BEOG) program;

5. The State Agencies, which provide funds in the form of grant, work and loan programs to qualified students in their state;
6. The Commercial Lending Institutions, which provide guaranteed student loans to eligible students; and
7. The Institutions of Postsecondary Education, which have the primary responsibility for coordinating and administering all title IV programs, as well as other federal, state, institutional and private aid sources.

In order for the student to be served effectively, it is essential that each of the various partners perform his/her responsibilities efficiently, while at the same time carefully coordinating their work with the various parties.

Let us now review the steps which normally occur in the delivery system.

Step A: Student Contacts Counselor

Frequently, the first person the student contacts to obtain information about financial aid is the high school guidance counselor or the youth-serving agency. This party normally advises the student about the academic programs offered at various postsecondary educational institutions, disseminates information on how the student can apply for admission and/or financial aid, and provides the student with the required need analysis and application forms.

Step B: Student Contacts Institution and/or State Agency

Based on the information the student receives from the high school guidance counselor, he/she will contact the institution(s) which he/she plans to attend in order to obtain the admission and/or financial aid information and forms. Next the institution responds to the student's request by providing him/her with the appropriate material. The student then will complete the admissions and/or financial aid application and return the appropriate information to the institution. During this phase, the student and/or family also may be required to submit an application to the state agency in order to be considered for state aid. It is important to note that this procedure varies from state to state. Some states offer a decentralized program which may be administered directly by the institution, other states secure the needed information directly from the centralized need analysis services or the federal government's Basic Grant processor, and still other states have separate student aid application forms.

Step C: Student Submits Data to Centralized Need Analysis Service

Depending upon the need analysis service that is used by the institution or state, the student and his/her parents now will complete the need analysis forms and mail them to the centralized servicer. In some cases, the institution may utilize only the Basic Grant system, in which case the student would complete the BEOG application and mail it to the government's prime contractor. Each of these centralized servicers processes the need analysis input document and returns a copy of the analysis to the student and/or parents. If the data is incomplete or inconsistent, the centralized service will request supplemental information from the student and/or parents in an attempt to resolve the differences. Internal edits within these systems also enable the services to check the accuracy of the information or to identify any unusual family circumstances. Institutions and state agencies then are notified of the existence of these unusual circumstances in order to follow up at a later date.

Step D: Need Analysis Agencies Provide Output to Institutions, State Agencies, and the Federal Government

The need analysis services provide a print-out and analysis of data received from the student to each of the institutions specified by the student and to applicable state agencies. In addition to the printouts, the need analysis services also provide this information to the various parties in punch card or magnetic tape format. This enables states and institutions to feed this information directly into their data processing systems.

In addition, those need analysis services which are authorized to participate in the Multiple Data Entry system are allowed to transmit the necessary data elements directly to the federal government's primary Basic Grant contractor. In most cases, this enables the student to complete one form and be considered for Basic Grant, state, or campus-based funds (National Direct Student Loans, Supplemental Educational Opportunity Grants, and College Work-Study) as well as institutional aid.

Step E: Federal Government's Primary Basic Grant Contractor Sends Data to Student, Institution, and/or State Agency

After processing the input data received directly from the student on a Basic Grant application or from the centralized need analysis services participating in the Multiple Data Entry system, the primary contractor perpares a Student Eligibility Report (SER) and sends it to the student. This document gives the student information as to whether he/she is eligible for a Basic Grant. However, the SER must be submitted to the institution in order to determine the specific amount of the award and to insure payment. The government's prime contractor also provides student eligibility information via rosters and magnetic tapes to institutions and state agencies.

Thus far in our review, the events described occur primarily in the order in which they have been presented. However, at this point, due to the number of parties involved, the steps outlined below do not always occur in the order in which they will be described. Therefore, coordination between parties is of utmost importance. For the purposes of today's presentation, we will define the steps in their most desirable order.

Step F: Institution Receives Student Eligibility Report from Student and Notification from State Agency of Aid Awarded

After the student has received the Student Eligibility Report (SER) from the government's prime contractor, he/she is required to submit it to the institution he/she plans to attend. As previously stated, this document is needed not only by the aid administrator in order to disburse funds, but is also used in determining the remaining financial need of the student. Frequently, the student does not submit the SER to the institution on a timely basis, thereby forcing the institution to assume the student's eligibility from the roster it has received from the prime contractor or from the estimated award produced on the output document by the centralized need analysis service.

Likewise, at this time the state agencies normally will notify the institutions of the student's eligibility for state funds. In those few states where the funds are controlled by the institution, this coordination is less critical. However, in the majority of states, the award notification is sent directly to the student and/or institution. In these cases, the aid administrator must have the information at the time he/she determines the student's aid package or may need to make an adjustment in the the student's award at a later date.

Step G: Institution Determines Student's Eligibility, Need for Funds, and Develops the Financial Aid Package

Once the institution has received all of the necessary information from the various parties, it can begin the time-consuming task of reviewing each individual student case. Specific items reviewed by the institution at this point include:

1. The student's academic status, i.e., Has the student been admitted to an eligible program? If currently enrolled, is the student maintaining satisfactory progress? Has the student completed a bachelor's degree?

2. The student's eligibility for specific aid programs, i.e., Is the student a citizen or permanent resident? Is the student enrolled at least half-time? Is the student in default on a loan made, insured, or guaranteed for attendance at that institution? Does the student owe a refund on grants previously received for attendance at that institution? Is the student eligible for funds after taking into consideration the statutory annual and aggregate limits of program funds?

3. The student's documented financial need. The aid administrator reviews each of the need analysis documents to verify the accuracy of the data and to make any needed adjustments when circumstances so warrant. As part of the verification process, many institutions require some or all of their applicants to submit copies of income tax returns or documentation of non-taxable income sources. In addition to this voluntary data verification, the federal government has recently initiated formal validation procedures which must be performed by the institution for those students who have been selected by the government for its validation.

As part of determining the student's financial need, the institution must determine the cost of education budget, taking into consideration the required tuition and fees, books and supplies (costs may vary due to academic program), room and board, transportation costs, and other reasonable miscellaneous expenses. Please note that in the Basic Grant program, actual tuition and on-campus room and board costs must be used, thus necessitating many adjustments in awards after the student enrolls at the institution.

4. The development of the student aid package. After completing the above procedures, the institution must determine the dollar amounts which the student will receive from each of the programs for which he/she is eligible. Normally, the final aid package consists of a combination of grant, loan and work dollars.

5. Preparing an award letter. After all of the above steps are completed, the institution prepares an award letter which is sent to the student. This letter notifies the student of the terms and conditions of each of the aid programs, as well as the amount of aid he/she can expect to receive from each source. In those cases where the student's need cannot be met from available resources, the student is provided information which may suggest alternative sources of funding.

Step H: Student Receives Award Letter and Returns It to the Institution

At this point, the student has the opportunity to review the financial aid package awarded by the institution. In some cases, the student may have an award from more than one institution and must decide which institution to attend. Once the student has reached a decision, he/she is required to return a signed copy of the award letter to the institution. In addition, the student must complete and have notarized the affidavit of educational purpose. Some students also may need to explore additional sources of aid at this point.

Step I: Student Applies to Commercial Lending Institution for Guaranteed Student Loan

Still another option, which is pursued by many students who need additional financial aid or funds to replace the expected family contribution, is the guaranteed student loan program. In most cases, the student completes the GSL application, and takes it to the institution for certification of enrollment, costs of attendance and financial aid awarded. The GSL application then is returned to the student for submission to a commercial lending institution or directly to a state agency.

The lending institution or state agency determines the student's eligibility for the loan, and submits the GSL application to the federal processing center for endorsement. The federal processing center then returns the GSL application to the lending institution or state agency, which in turn prepares the promissory note and a check for the student. In the majority of cases, the check is mailed either directly to the institution for disbursement to the student or made payable jointly to the student and the institution, thereby requiring the institution's endorsement. The institution is involved not only in the disbursement of the funds, but is also required by regulations to complete an annual enrollment verification report used to notify the lender and/or state agency of any change in the student's enrollment status.

This concludes our overview of the basic student aid delivery system and the steps performed by each of the parties. However, this is only part of the total student aid process.

In addition to the steps which we have just described, institutions of postsecondary education must also perform numerous administrative, counseling, fiscal and reporting procedures.

The specific regulatory requirements and administrative procedures, however, vary for each of the programs, thus necessitating careful coordination and control at the institution. This is not only true for the campus based aid programs (NDSL, SEOG, CWSP) but for the other title IV programs as well.

Many people are of the opinion that the Basic Grant program is primarily administered by the Office of Education and, likewise, that the Guaranteed Student Loan program is administered by banks, state agencies, and the Office of Education. While these parties are certainly deeply involved, the individual postsecondary institutions function as the nerve center for these programs.

In the Basic Grant program alone, most institutions have been forced to build duplicative record systems in order to conform to the Basic Grant regulations. The following outlines some of the institutional administrative reporting and fiscal operations which must be carried out under the Basic Grant program:

Steps	How Often
1. Eligible for BEOG	One Time Only
2. Sign and Return Terms of Agreement	Annually
3. Receive Initial Authorization	Annually
4. Request Funds from NIH	Monthly, or as Needed
5. Submit October Progress Report and Request Revised Authorization Ceiling	Annually

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Steps	How Often
6. Submit February Progress Report and Request Revised Authorization Ceiling	Annually
7. Request funds from NIH	Monthly, or as Needed
8. Submit June Progress Report and Request Revised Authorization Ceiling	Annually
9. Receive Final Authorization	Annually
10. Receive Student Validation Roster	Annually
11. Submit Validated Student Roster	Annually

In addition to these steps, each institution is required to:

1. Maintain individual student records on each student receiving Basic Grant funds;
2. Check enrollment eligibility criteria on each individual student prior to disbursing Basic Grant Funds;
3. Check enrollment status on each student prior to disbursement of Basic Grant funds;
4. Review student data on each individual Student Eligibility Report and counsel all students on incorrect or incomplete data prior to approving eligibility;
5. Make individual award calculations regarding the student's status and actual educational cost before disbursement of funds;
6. Coordinate and package Basic Grant funds with all other student assistance funds;
7. Calculate appropriate refunds for the student who withdraws or changes enrollment status during the academic period;
8. Provide students with individualized counseling regarding the Basic Grant program and all phases of its operation;

9. Advertise and disseminate Basic Grant forms to students who are potential applicants to the program;
10. Maintain appropriate fiscal records for all Basic Grant recipients;
11. Prepare cumulative data on Basic Grant disbursements for the annual FISAPP Form;
12. Audit all Basic Grant data and report inconsistent data to the Office of Education for review.

These required steps have more than doubled the administrative reporting and accounting burden in all institutions in the past five years. Likewise, postsecondary institutions are finding that the Guaranteed Student Loan (GSL) program has substantially increased the administrative reporting and fiscal responsibilities. Currently the GSL regulations require:

1. Certify the enrollment and academic status of each student applicant;
2. Monitor and coordinate GSL awards with other student assistance programs;
3. Notify lenders on a timely basis of changes in student enrollment status;
4. Complete non-standardized annual enrollment verification forms for all state guarantee agencies which are assisting students within a given institution;
5. Counsel and advise students on all phases of the GSL program;
6. Disseminate and publicize available GSL application forms for all students; and
7. Maintain adequate fiscal records regarding GSL disbursements.

When one considers that there are different requirements for different states and lenders, the administrative responsibilities of the institutions become even clearer.

To illustrate the complete role that the institution plays in administering each of these programs, allow us to refer you to the copy of the Institutional Guide for Self-Evaluation, which is included with your briefing books. This document has been prepared by our Association, as a tool to assist institutions in evaluating their total student aid operations. You can readily see, after reviewing the reporting and administrative steps for each program that the institutions clearly are the nerve center of the total process. In addition, we have included samples of some of the required reports which institutions must complete in order to participate in these programs. These documents can be helpful in the other sections of the briefing books.

We have included these materials in an effort to illustrate the magnitude of these programs and the critical role that the institutions play in the process. While, at first glance it would appear that the whole system is much too complicated and should be completely overhauled, let me clearly state that this is not our intent in presenting these examples.

The primary points which we wish to make are that the diversity of postsecondary educational opportunities, coupled with the unique and individual circumstances of our citizens requires a multifaceted system, which can respond to each student's needs. In our opinion, the various student aid programs administered in unison have served the students well.

This is not to say that improvements cannot be made in the programs and the overall delivery system. However, constant change, tinkering and redesign in many cases only tend to add to the complexity of the system and causes confusion and misunderstanding amongst all parties. For these reasons we are hopeful that you will assist us in requiring some stability in these programs. Future certainty and consistency in the funding, administration, and operation of these programs would greatly assist all parties in better understanding and managing the process.

In closing, allow us to thank you for the opportunity to present this review and for the untiring and consistent support which you have given through the years in the development of these programs. If you have any questions we will be happy to respond to them at this time.

STATEMENT OF A. DALLAS MARTIN, JR., EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS, WASHINGTON, D.C., ACCOMPANIED BY JOYCE D. DUNAGAN, ASSOCIATE DIRECTOR

Mr. **Martin**. Thank you, Congressman Peyser, Congressman Tauke. It is a pleasure to be here today, and we appreciate the invitation to be here and review this with you.

We have prepared a written testimony which we would like to have entered in the record. However, I would like to expand on that as I go through it because of some of the details we will be discussing. We will be, a little later in the presentation, commenting specifically about some of the operational programs and specifically on the default problems that you mentioned, sir.

What we would like to do today is attempt to give you a micro-overview of each of the steps that are involved in the student aid delivery system so you can better understand the various functions that are performed by each of the parties involved as well as acquainting you with the forms and applications that are utilized in this process.

To that end, we have provided you with briefing books which I will mention from time to time in terms of the tabs in that book, so you can follow some of the illustrations.

I suppose in beginning the process that it is appropriate that we begin with the primary parties who are typically involved in the student aid delivery system. I would like to direct your attention to the chart that we will be using on the left side of the room. I will be assisted by my associate director, Joyce D. Dunagan.

As you can see, there are a variety of partners involved in the delivery system. First and primary is the student and his or her family who has the overall responsibility for initiating the various applications and submitting these to the various agencies in order that they may find out whether or not they are eligible for student assistance.

Second is the role that is played by the high school guidance counselor who provides general financial aid information and information on how to apply for admission at the various institutions as well as the types of financial aid that are available.

Third in the process is the centralized need analysis services. The primary services are the American College Testing program and the College Scholarship Services, but there are others, and they are primarily responsible for processing the various student need analysis reports and disseminating the information to the student, States, and Federal agencies.

Of course, another partner in the process is the Federal Government, itself, which is responsible for the enacting legislation and appropriating funds, overseeing the agencies that administer the title IV student assistance programs as well as operating the basic grant entitlement program.

Fifth is the State agencies who share in this partnership. The States provide funds in the form of grants, work and loan programs to qualified students within their States.

Sixth would be the commercial lending institutions who again are involved in providing guaranteed student loans to eligible students that may apply. Last, but certainly not least, are the institutions of postsecondary education, themselves, who have the overall primary responsibility for coordinating and administering all title IV programs as well as other Federal and State institutional and private aid sources they may have at their institution.

In order for the student to be served effectively, it is essential that each of the various partners perform his/her responsibilities efficiently, while at the same time carefully coordinating their work with the various parties. To that end, I would direct you to tab A and step A as we go through the process.

The primary contact that first begins with the student is actually beginning the discussion with the high school counselor. The counselor performs a very important role in terms of giving information to the student and advising them on postsecondary educational opportunities as well as acquainting them with what steps are necessary as they enter into these various institutions. They also in the last few years have found that one of their chief roles is also to assist students and parents in understanding financial aid, and to that end they have available within their schools the various forms students and parents need to complete to begin the whole process.

I might say to you at this particular time that, along with workshops for the high school counselors provided by themselves, the Office of Education, for the last few years, has conducted counselor workshops across the country in which they attempt to familiarize all the secondary school counselors with the various forms and processes that are involved. Likewise many of the State agencies and centralized need analysis services hold workshops for counselors and provide them with useful materials.

We have included in the briefing book, for example, some of the kinds of brochures that are prepared by the agencies, and you will find one entitled "Meeting College Costs," published by the College Scholarship Service, which goes with the form the students complete, explaining to the parents and student how they might determine their expenses in terms of applying for school, how their family contribution is going to be calculated, and some instructions on how to complete the actual document.

This is but one sample of the many that are available from the various services.

Following that, in your briefing books, we have included samples of the various need analyses forms used by students and parents. I have given you an example of each of the forms that may be used beginning with the financial aid form, which is used by the College Scholarship Service, followed by a document called the Family Financial Statement, and also the application which is used for those students who may be attending an institution that is only participating in the basic grant program or a student who only wishes to apply for that program, and a copy of the basic educational opportunity grant program application.

Those are the three primary input documents most of the students across the country will be completing. In a moment I will show others that are sometimes used in certain States where they have a coordinated system within that given State.

Let me direct you to the basic grant form, since it has come under a great deal of discussion in the last few months due to the rejection rates and also the problems students have had in completing the particular document.

One of the things we have to be aware of in the process is that most people have a natural aversion to completing documents of any kind. I know I do, and I am sure a lot of other citizens in the country share that aversion.

Inside the basic grant application form you will note that the document is wrapped in a series of instructions that not only give people details on how to complete the forms, but also talk about some of the programs. The actual application, itself, is a one-page form. You will also note if you look at section C of the form—applicant's status—that there are a series of nine questions where we try to determine whether the student is dependent or independent. Once the student has completed that, the instructions on the form then direct the individual to complete either section D or E on the back page.

The point that I am trying to clarify here, is that while there are a lot of data elements contained on this particular document, it is important we keep in mind that an individual student or family is not required to complete all of these, but only those particular sections based upon the conditions that affect them.

I am afraid that sometimes, many people at first glance assume they must complete all the items, but that is not the case. The forms that we have are forms that attempt to lead people into one particular set of conditions or the other so that they only have to complete those items that are relevant to them.

You will note that the next form in the briefing book is a supplemental form that is also used with the basic grant program. This form is actually completed by a student who experiences a change in financial circumstances after they have filed the application form or at some point before the time they actually enroll in postsecondary education. When such circumstances occur for a student, such as a national disaster, for example, or a case of where one of the parents becomes unemployed due to illness or sickness, the student can complete the changes in the estimated financial income section of the form and submit it to the basic grant processor and have their eligibility recalculated.

The next document is one that is not used widely by most students. As you well know, in the basic grants program there is a provision for those few institutions who may not be participating in the other programs, or for one reason or another chose not to be involved in taking Federal funds, that students attending those institutions fill out the blue form which goes directly to the processor. Probably the largest institution that uses this particular form is Brigham Young University. In these cases students complete this form and instead of receiving their money from the institutions, the money is provided directly to them through the alternate disbursement system with checks made out by the U.S. Treasury. A small number of the total students participating in the program use the alternate disbursement system however. I wanted to familiarize you with it.

After working with the high school counselor, the student secures the appropriate form—a student does not complete all the forms I have shown you, but only one of those forms, based on the particular State or the institution that he or she is planning on attending.

We now move to step B, when the student contacts the institution or the State agency.

The student will normally contact the institution to find out the specific admission requirements and get the forms from that institution. They also will at that time apply to the institution for financial aid.

You will recall in the 1976 amendments one of the changes that this Congress approved was a change in section 493-A, which requires institutions to provide students information concerning the types of aid that are available, how to apply for that aid, and the curriculum offered at the institution, et cetera. To that end, institutions use a portion of their four percent administrative allowance money to pay for informational brochures that are distributed to both prospective and enrolled students in their institutions.

We have included here a copy of one of the brochures that has been developed by an institution. This particular institution happens to be the University of California at Irvine and shows a copy of the kind of informational brochure they provide to students and parents, which tells them not only the kind of aid available, but the costs involved in attending the institution and how the parents' contribution will be determined. We outline for them what is expected of the student in terms of their responsibilities, when the aid will be disbursed to the student, the refund policies of the school, as well as examples of typical financial aid packages and awards to various students.

Also included are references of where the students may get other information or how they may contact counselors or write for the various forms or other kinds of aid they wish to apply for.

At the back of this document is a copy of a separate scholarship application they ask the student to complete so they may be considered, if he or she desires, for the private funds available at that institution. At the same time, students in many States also apply for State aid.

To this end, many of the States have developed separate aid applications that are actually incorporated into the regular need analysis document. In this case the student has one single form they can complete for State aid, basic grant funds and campus-based aid.

I have included in the packets here a copy of two such forms. One is the student aid application from the State of California for this last year. You will note it contains the document also which is used by the College Scholarship Service, since that is the particular service they use in California, which is the same as the FAF. In addition, it contains a couple of supplemental sheets and a description of the California student aid program which the student may complete at the same time.

The second one I have included here is a copy of the application from the State of Pennsylvania, who is one of the participants under the multiple data entry process. The student can complete this particular document, and instead of sending it to one of the need analysis services, it is mailed directly to the State agency. They process the application and transmit the data to the Federal

Government and also are able to go ahead at that particular time and consider the student's eligibility for State aid as well.

Some of the States have a little different procedure than this in the fact that they may not use a separate form but may simply attach one additional sheet. The copy of the ACT student data form is an example of such an additional sheet. Some States will use a form like this which goes directly to the State agency or can be sent back to the institution as a supplemental sheet for additional information.

We have a few States that also have decentralized student aid programs, whereby the money is actually allocated directly to the institutions so the institution is actually involved in disbursing the aid. In those cases a separate State application form is usually not required.

After the student has completed the application for the institution and secured the necessary need analysis input document, the student submits the data to the centralized need analysis service, itself, step C. At that time, a series of things occur within the agencies, and I have included here some descriptions of the document flow, both in the American College Testing as well as in the College Scholarship Service system.

I have also provided you with a copy of the type of output document sent to the student and/or the family, so that they have an opportunity to insure that the information which they submitted was treated properly and entered into the system correctly. In some cases additional information may be required from the student.

Sometimes a student will inadvertently make an error on one of the forms, or perhaps code something wrong. Each of the systems contains a series of program edits that go through and compare the data to try to insure the validity of it, thereby making sure that the students and parents are receiving the aid for which they are entitled.

In some cases the data is not so discrepant that it delays the processing but certainly raises some questions, or in some cases we may find a student and the family have very unusual circumstances. In those cases the central services will note the unusual circumstances, and will flag those applications. In addition, specific comments are included enabling State agencies and institutions to follow up at a later date.

Moving on to step D in the process, after the need analysis service has carefully analyzed each of the particular output documents, they will then begin to disseminate the results to those people who need the information to make awards to students.

For years, the central need analysis services have cooperated with the institutions of postsecondary education in providing them the need analysis data in hard copy or a magnetic tape printout or punchcard format, depending on the institution. In addition, for years they have worked closely with the State agencies involved in delivering State aid.

As of 2 years ago, there was another change when we entered into a new phase called multiple data entry—MDE. Prior to MDE, a student was required to, in all cases, complete a separate basic grant application which had to be processed by the Federal Government's primary contractor. Under multiple data entry the student and parents complete only the regular need analysis document, a separate basic grant form is not necessary.

In those cases the student need only complete the original need analysis document and send it to one of the three satellite processors—ACT, CSS, and the State of Pennsylvania. The satellite processors, in turn, extract certain data elements that are required to determine eligibility under the BEOG program. That data is transmitted to the Federal Government's primary contractor located in Iowa; it is analyzed, reviewed and a student eligibility report (SER) is produced.

Again, I have given you copies of the output document that the institutions receive from each of the centralized services. You will see, for example the output document giving all of the data and the analysis of the student's need based upon the system's formulas.

I might add that I am not going to give you a detailed explanation of how need analysis works since I am aware that the subcommittee has scheduled other hearings on Tuesday in which one witness will talk about the differences between the basic grant calculation and the uniform methodology used by the services. To that end, I will allow my counterparts on Tuesday to have the opportunity to explain that maze to you.

But, in the meantime, I did want to share with you the process. You might note on these output documents that the services also, as an additional service to the institutions, provide an estimate of the student's basic grant eligibility. I only point that out to you because, as you will see later, when we get into the coordination of this, and the further phases, it becomes more critical to be able to notify students of their financial aid packages.

Step E. After we have completed the transmission of the data to the Federal Government and to the other parties in the multiple data entry process, the Federal Government's primary basic grant contractor will process the information for the individual students, and will produce an output document notifying the student of his or her entitlement for basic grant funds.

This particular document is called the student eligibility report (SER) and can be found in the briefing book. Not only does the SER give the student a preliminary indication of his or her eligibility for basic grants, but the student later must submit this document to the institution to determine the exact amount of their award as well as in order to receive their funds.

You will note that I have stamped each of the SER's drafts so that they won't fall into anyone's hands since they could be typed and submitted for payment. They are like blank checks, for your information.

In addition to providing this output document, the SER, directly to the student, the Federal Government's primary contractor also will send copies of rosters and/or magnetic tapes to institutions and to State agencies. Behind the SER in the briefing book, you will find a sample of one of the pages of the monthly applicant roster which would go to a particular institution. On this we get a list of the student's name, social security number, birth date and eligibility index, as well as information about their address, et cetera. This can be used by the institution for contacting or following up in case the student has not applied for other aid. It also enables the institution to have an idea of what the estimated award will be for the student in the event the student has not submitted the SER to the institution.

This is a helpful document and one that is useful to us not only in terms of planning, but also useful in untangling problems. For example, as you well know, just a few weeks ago this subcommittee and your counterpart in the Senate held hearings on the implementation of the independent student provisions, and whether or not they were going to be funded this year. Now that the decision has been made to fund those particular provisions, institutions will be able to make the necessary adjustments in students' aid packages by using these rosters.

Let us move on now to the next step, step F. At this point, after information has been disseminated and the student has received the student eligibility report from the Government's primary contractor, the student is expected to transmit this document to the institution on a timely basis. Likewise, at the same time, the State agency is conducting their State review to determine the student's eligibility for State aid. They will then notify the student, and, in most cases, the institution of the State award. Most of the States probably provide the institution with a direct notification, although there are a couple that do not.

It is interesting to note at this particular point, that coordination becomes a very critical factor in the process, because up to this point each of the various parties involved have been working somewhat separately, each performing their own individual task. However, at this point it begins to come together for the student, so we can see what he or she is going to be receiving.

We have included, for example, a copy of the student eligibility notice used by the State of New Jersey, to notify the students of their State awards. This award letter is sent so the student can complete the document and sign it, saying they understand it. This document can then go to the institution so the institution knows and is able to disburse the funds and include it in the student's aid package.

Hopefully the institution at this point has all of the various pieces of information that it needs, and it begins the difficult task of going through the time-consuming task of analyzing carefully the student's eligibility, the need for funds and the development of the actual financial aid package. It is at this point that a lot of the details and program regulations that are included in the various programs come into play.

As you well know, we have a multiplicity of student aid programs enacted both by the Congress and the States, as well as sources of aid from institutions and private sources which must all be packaged together for individual students. At this point, step G, the institution will begin checking the student's academic status. For example, is the student enrolled in an eligible program? If they are, is the student maintaining satisfactory progress? Has the student completed a bachelor's degree? These are the kinds of academic criteria we are reviewing to determine which aid the student may be eligible for.

Second, the institution will begin to look at the student's eligibility for specific aid programs. For example, under the title IV campus-based programs the student must be a permanent resident or a citizen. It must be determined if the student is enrolled at least halftime. It must be determined if the student is in default on a loan made, insured, or guaranteed for attendance at that institution. It must be determined if the student owes a refund on grants previously received for attendance at that institution. It must be determined if the student is eligible for funds after taking into consideration the statutory annual and aggregate limits of program funds. These are some steps used in determining the eligibility for the various programs.

Next, the need analysis output document, which is received by the institution, is carefully reviewed by the aid administrator, not only to verify the accuracy of the data by using some of the other data elements for internal checks, but, as I mentioned before, to review and consider those unusual circumstances or those that need followup based on the flags on the output documents received from the central need analysis services.

Most institutions do some kind of verification and do not simply, as many people believe, use the bottom line result that is printed on the need analysis document. Most follow up and sometimes use other data; many will actually collect copies of parents' income tax returns or documentation of other nontaxable income sources so they can verify the accuracy of the information.

This is all done on a voluntary basis. You can see in the briefing book that I have included a copy of an income tax certificate used by one particular institution where they get a release from the parents and explain to them they would like to directly receive a copy of the 1040 from IRS. Because of regulations dealing with privacy it is necessary to secure a prior release from the parents.

In addition to the voluntary certification, more recently the Federal Government has initiated a series of formal validation procedures which must be performed by the institution. These procedures are as a result of not only the multiple data entry process, but actually are done through a series of carefully controlled edits that are in the Federal Government's primary basic grants contractor's system.

These edits attempt to take various pieces of information and compare them to determine their accuracy. One such test, for example, would be to take a given family, look at the amount of the adjusted gross income they reported on the document, compare that with the amount of income tax they paid, the number of exemptions they cited and the amount of itemized deductions listed on the forms. By comparing those four pieces of data in a very quick mathematical formula within the computer, you can find out whether or not the figures contained on the form fall within reasonable parameters for accuracy of data. If they don't, the document is flagged and may be sent out either for the parents and student to provide additional information, or it may be flagged and sent to the institution for them to follow up by securing a tax return from the parents to verify that data before actual funds are disbursed.

In doing that kind of editing, one of the things you must be aware of is that the edits, themselves, do not indicate which of the items is necessarily wrong. You can only know one of the pieces of the puzzle in terms of the comparison doesn't fit or at least the results coming out. Sometimes it is because the student has made an error in completing the form or they have copied down perhaps the amount of withholding instead of the actual tax paid. These are common errors we find and are later resolved on the campus by the aid administrator.

In addition to checking on all the data verification and making necessary adjustments on the output need analysis documents, the institution may also need to check on aid previously received in the event that the student is a transfer student or has previously attended another institution. You will find in the briefing books a copy of what we call a financial aid transfer record. This is the document a transfer student sends back to the previous institution he or she attended. The previous institution would go through and complete the form, list the number of years and dollar amounts received for the various programs, and would also indicate other kinds of benefits for which the students may have been eligible. In addition, we also sometimes find out other kinds of things; for example, whether or not the student was independent, or dependent, at that time.

Once this review is completed and the institution is satisfied that the student's documented financial need has been established, they begin to determine the educational budget for the student or the cost of attendance of that particular institution. At that point, they must take into consideration the required tuition and fees that the student will be paying, and the amount they will be spending for books and supplies—this will vary based on the academic program. They also will look at the room and board expenses the student may incur, transportation costs and other reasonable miscellaneous costs, such as laundry, et cetera.

Normally most institutions will have a variety of budgets, depending on the living arrangements of the students and perhaps their academic program or classification. I have noted in the testimony that under the basic grant program, currently, the statutes require that the institution use actual tuition and on-campus room and board costs.

Now this is fine, but it is a little different than the way it works for other campus-based programs in that it requires adjustments throughout the course of the year with individual students. An example: It is not unusual for a resident campus, one that may be middle sized, to have from 20 to 30 different room and board charges based on the residence hall or the meal plan the student chooses. Likewise, a lot of institutions charge tuition by the credit hour or semester hour, and, therefore, the difference of the course load of the student will require an adjustment.

Under the basic grant program the institution is responsible for using these actual costs of attendance and, therefore, even though they may preliminarily package the student aid award, once the student is on the campus and enrolled, they may be continually making adjustments throughout the year in the event the student moves or changes his or her meal plans. As you can see, there are a lot of additional budget adjustments in the basic grant program that does not allow the latitude that currently is contained in others.

I point this out as a distinction between the two programs. Once the cost of education has been determined, the aid administrator begins the task of trying to develop the actual student aid package. In this case the institution must determine the actual dollar amount which the student will receive for each of the programs for which he or she is eligible.

Normally, the institutions first will begin with the basic grant program, then look at the State aid that the student may be eligible for, other kinds of assistance the student is getting from outside sources, and then build in some kind of additional assistance in the form of work or loan dollars. If the student still has remaining or exceptional financial need, the supplemental educational opportunity grant award is normally made. The financial aid package for most students will consist of a combination of grants, loan, and work dollars. The loan and work dollars are frequently referred to as self-help in that the student borrows the money and pays it back, or works part time to earn the dollars.

Once the packaging is completed, a financial aid award letter is prepared. The yellow sheet in the briefing book is a sample award letter. The award letter that the institution prepares for the student not only lists the types of financial assistance they are receiving and gives the student the opportunity to either accept or reject the aid package—in whole or part—but most will also tell the student how their financial aid was determined, first showing the cost of attendance used in the student budget, and also the various outside resources, the amount from parents' contribution, and other aid.

On the back of the award letters we also will try to explain carefully the policies and conditions of the awards so the student understands what they must do to reapply in subsequent years; that the award will be canceled in the event they don't enroll, the refund policies of the institution and other responsibilities they accept as student aid recipients.

The student signs the acceptance form, indicating their understanding of the policy as well as the acceptance of the award. Many institutions at this point will also collect from the student the affidavit of educational intent. This is another Federal requirement currently contained in the existing statute. In the affidavit the student certifies that the aid he or she is receiving from the programs will be used to pay for their postsecondary education. In other words, they are not allowed to take the dollars and invest them or to purchase things that are not related to their educational expenses.

This particular document at this time also has to be signed by the individual student, and you will note on the bottom of that form there is a place for a notary. I don't mind telling you, that this has been a point of contention with the aid administrator in that the affidavit must be notarized. By definition Webster indicates an affidavit does mean a notarized statement. For many students, particularly low income and disadvantaged students, it gets to be a problem in that it is necessary for them to go out into the community and find someone that is a notary. Many times they must pay a fee for the notary, maybe 50 cents or a dollar. Many institutions are now providing notary public services for their student aid recipients.

We certainly have never objected to the intent of the document—making sure someone understands the money should be used for postsecondary educational institution—however, the question is whether or not it needs to be notarized. We hope that this requirement will be reexamined at some point in the future.

I will move on now to step H because at this particular point the institution sends the award letter they have prepared to the student. I have included a copy of it because the student usually keeps a copy for themselves as well as marking on the form whether they accept or reject the aid offered. The student does this by checking it or circling the boxes, as is the case here, and returns it to the institution. They sign on the back of the document, indicating they understand this, along with the particular notary requirement.

Once the institution has the signed award letter, they hold those funds for the student, and assumes that he/she will be enrolling for the next term or for the period of time in which the student has indicated they will come.

In some cases at this point, after assessing the other kinds of financial aid that are available, we will find that a student has an additional need or perhaps in some cases the amount of expected family contribution is not available from the parents because of either cash flow problems or other kinds of extenuating circumstances that may not be readily apparent or cannot be responded to under the existing programs.

Normally when the institution returns the award letter or in some cases when they send letters indicating to the student they are not eligible for aid, they will try to refer the student to other sources of assistance that may be available.

One of the alternate sources that is frequently used at this particular point is the guaranteed student loan. Sometimes this will occur earlier in the process, but normally most institutions will try to use that as the loan of last resort, for those students who are from upper middle income families, or in the case of students with exceptional need where they just cannot, because of the unavailability of campus and basic grant funding, make up the amount of student need for the educational budget.

In any event, if the student is going to apply for a guaranteed student loan, there are a couple procedures used. Let me try to walk you through this carefully using the chart that Joyce has in terms of the sequence of steps that occur in this process, and I will point out a couple of variations on it in a moment.

Under certain circumstances the student will take the guaranteed student loan application, complete it and submit it to the institution. The institution will do a certification that the student is to be enrolled in that institution, will also indicate what the students' estimated expenses are for attending the institution and the kind of and the amount of other aid he or she is expected to receive. The school will return the application to the student. The student and parents will then take the application to a commercial lending institution, bank, savings and loan, et cetera, participating in the program. The lender will process the application and make a determination of whether or not they are going to make a loan to that individual student. If they determine that they probably will, they will then normally send this particular form to the Federal processing center for endorsement.

In this case the Federal guarantee is added on the loan and an internal check is made to insure that the student has not had another loan already for the same time period. This is one way of helping to prevent a student from going around to institutions and putting in multiple applications and trying to rip off the system.

The Federal Processing Center will take the application form, and notify the lending institution that they will give the endorsement and that the loan will be guaranteed.

At this point, the lending institution can prepare the promissory note and prepare the check, notify the student and in some cases send the check [illegible] to the student, usually made payable to the student and the institution so the institution also has to endorse it. In other cases they will send the check directly to the institution made payable to the student so he receives it there.

In some States, however, this process works a little differently in that the State agency, itself, also participates in the cycle. There are a few States where the student applies directly to the State agency. In this case the State agency will do the processing. They may have their own funds, raised by selling bonds or they may have a number of lending institutions that are participating with them to which they will refer the applications.

In other States the student will send the application to the lending institution first, who will forward the papers to the State agency for the guarantee, again reducing part of the paperwork. I might add that in those States that have efficient State agencies and little or no turnaround time, the possibility of the student receiving a guaranteed student loan is much more likely to occur than in those States which are still operating under the old federally-insured student loan program. These are some of the problems and complexities of that particular program that I know you, as a subcommittee, will be examining during the rest of your reauthorization hearings.

I might also add, even though I have included the federally insured student loan application, which is currently in use in all its splendor with the multiplicity of forms, that there is a task force developing a simple guaranteed student loan program. That document is close to completion; in fact, is in the final clearance stages by all affected parties. Once that document is completed, not only will it be simpler than the document before you, but my understanding is that it will be used throughout the country by all the various State agencies. Since the new form is not available, I included a copy of the current federally insured student form for your review. The current form is one of the more complicated ones and perhaps when we get the new form, this will be an example of savings and improvement in paperwork to which we will be able to point.

This concludes the first part of our summary of the delivery system. As you will see in this step J, I have provided and asked Joyce to put a picture up of the whole system. I have to admit when you look at it in its entirety, it looks fairly complex and confusing. It is really not as bad as it appears, but does give you, I think, a quick analysis of the kind of interaction and the partnership that exists between the seven parties involved, and the back and forth between them that frequently occurs.

I might add that not every single student necessarily goes through all of these steps, however for the typical entering student, this is the process they would go through.

I might also add that you can usually eliminate the step of the high school counselor in the process for renewal students, but other than that, the process is basically the same for each of them.

I have included a diagram of the entire process in the briefing books under step J. Also included is a similar guide that we use with high school counselors and parents, which I think is more readily understandable to them, since it is not quite as overwhelming as the diagram and the chart I prepared for you; therefore it is a little simpler for them to understand the role that the various partners play in the process.

This concludes the basic summary, and I may want to stop for a moment before going on, in case you have any questions. I might add this is only the beginning of the whole delivery system.

Mr. **Peyser.** Yes, I think you are entitled to a breath. You have been testifying on this simple system for 45 minutes now, and since you started, I am delighted to see our chairman, who was in another meeting previous to this, has joined us, and the gentlemen from Illinois, Mr. Simon, and Mr. Ratchford, from Connecticut, have joined Tom and myself at the session, and, Mr. Chairman, I would like to, if I may, have a brief question or two and relinquish the Chair to you for the balance of this program, with your permission.

Mr. **Ford.** Go right ahead.

Mr. **Peyser.** Mr. Martin, you have not as yet given your opinion of this whole process, but, as I look at the form you have included in your notebook from HEW for the basic opportunity grant program your applicant's name is "Avoid Confusion," and he lives on "123 Stupid Street in Silly City," is what you have in here. I don't know if that is a report on how you feel about this.

I think briefly if you could tell us how you do feel about this process that you have just run us through. I am exhausted, but what is the conclusion you reached on all of this?

Mr. **Martin.** Mr. Peyser, the system through the years has added complexity and confusion. As you know, when we first began with the campus-based programs, most aid was localized between the institutions, money going to them and distributed to the students, and the process was fairly simple and straight forward at that time.

In 1972, when the Congress enacted the basic grant program we involved a whole different wrinkle in terms of a separate person being involved. On the other hand, I, for one, would not in any way wish to discredit or to say that we should not have a basic grant program. Quite the contrary, it probably has been one of the most important programs that the Federal Government has ever developed and has provided access and availability of postsecondary education to literally millions of students who heretofore would not have had it.

I think one of the concerns that the aid community has had for a number of years with the basic grant program is because of the nature of it, being an entitlement program, and being calculated differently, the fact we have a complex network through which one must flow to determine the student's eligibility. It has frequently been suggested that one way of perhaps resolving that would simply be to deliver the system through the same process that is currently used with the campus-based funds. That is to say, the central need analysis agencies that are doing the other analysis for the campus-based programs could take the data and develop the student eligibility index at the time they are also calculating the family's contribution. In fact, they do that now as a service, although it is not official. That eligibility index could be used by the institution at the same time the entitlement concept of the program would be preserved. The institution could then draw the money as they currently do through the DFAFS system and actually disburse the money. The Federal Government, to insure it was done correctly, could use the same forms, but we could eliminate the separate phase of the basic grant program which is not inexpensive and merely adds confusion to the programs. That is one suggestion that, quite frankly, I must say a lot of my constituents in the aid offices feel would be important in being able to coordinate and tie the system together. There are other people, however, that feel this might erode or politicize the basic grant program. I don't happen to share that concern. I think it would be a delivery system improvement that might well be considered during the reorganization process in the next few months.

There also has been talk about whether or not the State should be involved in the same process. We find that most of the institutions are not having as much trouble in coordinating with the State agencies as they are with the basic grant system. Part of that, I am sure, is due to the fact that the States are more local, because you are serving the majority of the students in that State, that is where they are attending, and the States in many cases have personnel that work closely with the institution. The main criticism we get on the State process is the timing of awards. That is not always the fault of the State, either. Other factors include when the student applies, when they get the information, the deadlines, and also when we know about funding.

The loan programs in terms of the network that we send students through—outside lenders—is a larger problem.

Again, it is most desirable if the loan origination can occur at the campus, where the student's needs are being assessed. That is how it currently occurs with the national direct student loan program. There are a few institutions that have established themselves as direct lenders under the federally insured student loan program. However, most of us have felt—and policy in the past has been—it was better for the student to go to the outside lender, trying to reinforce the idea this is a loan and you have a responsibility. The feeling being if you go to a commercial lender, it is not only probably an educational experience for students in terms of later lifetime experiences they will have, but also the impact that this is something that is a serious responsibility that you are undertaking, and you must pay this back.

While I agree in philosophy with that, I am still not certain about running students around from bank to bank.

We all know some of the problems with the commercial lender—where unless the student has an account relationship with the lender or is a certain academic classification, they cannot receive a loan. I think sometimes we are unnecessarily hassling students, and it might be better to have loan origination at the campus.

Another option that prevents some of the hassles is the States that have effective State agencies. They have developed a rapport with the lending institutions and in most cases the student can go to them and be sure their loan will be processed and taken care of on a timely basis. If we were assured every State had a mechanism like that, I wouldn't object and wouldn't necessarily insist all the loans should occur at the campus.

So if we did those kinds of things in the process, I think simplification would occur to some degree.

I happen to believe in the concept of the outside need analysis being done independently with the models. I happen to agree that the Federal Government has a responsibility to insure that the formulas and the criterion are fair and equitable and can be defended. To that end, I support the Government's role in having the benchmark figures and the annual submission of formulas. I think it has been successful and avoids the kind of curve wars we had a few years ago with people adjusting the curve in an effort to entice people to use a particular service. There has to be necessarily a lot of interaction, however, between the student and the institutions in getting that information. Likewise, there needs to be good coordination in the beginning with the high school counselor or youth-serving community people that assist students. Those are a few of my ideas.

Mr. **Peyser**. I appreciate that, and I would like to yield to my colleague from Iowa, Mr. Tauke.

Do you have any questions?

Mr. **Tauke**. I do have a few questions. I will wait with some of them until you have completed. But, let me say that since I have been in Congress, I have found many people assume once you are elected, you become an instant expert on everything. This kind of presentation, where you don't assume we know a great deal before we start, is very helpful to me, and I appreciate it.

Mr. **Martin**. Thank you.

Mr. **Tauke**. I am curious about some of the certification aspects of the program. It seems, as I go through the documents, that there are a number of places where we have very legal-sounding statements which the applicants or students or parents must sign. Does any of this help, or is it more of a scare tactic?

Mr. **Martin**. Some of it helps, Mr. Tauke. In some cases, as you will note, part of the formal statements that are on the forms, for example, in the release section, are necessary in order to enable us to secure copies of parents' income tax returns. Also, as you will note, there are the statements of the penalties that can be imposed in the event someone fraudulently submits false information and receives the funds from the Government fraudulently. Not much has happened until recently, but the Inspector General's office of HEW has in the past year or so taken steps in some cases where we found fraud. Because of the formal procedings and notifications, they have been able to say people were informed of their rights previously and have taken action against them. In a few cases criminal charges have been pursued.

I think probably for the majority of parents and families, however, it is a reminder that these are Federal dollars, and we are asking people to be honest. Frankly, we find the vast majority of citizens and students who complete these forms to be very honest and complete them accurately.

Mr. TAUKE. When a form such as this goes through the process and is flagged because something isn't consistent or there may be problems with the information contained therein, and it goes back to the institution, how does the institution normally respond? Does it cut off aid or refuse to grant aid, or does it send the form back to the parent?

Mr. MARTIN. There are a variety of steps used by various institutions. Most of them will use what we call a management by examination process. When they receive the document they go through and separate out those particular cases. Then they will either contact the student by letter, or, if the student is on campus, ask them to come in and provide some kind of additional documentation, or try to resolve it in a session with the student. It is not uncommon, for example, that the number of exemptions they claim versus the size of the family may vary. You and I realize under the Internal Revenue Service, because of people being blind or over the age of 65, you get an extra exemption for those people. That may be a small point, but sometimes the aid administrator will want to check that because of the family size offsets in building the budget for the maintenance allowance and determining need. Those can usually be resolved by talking to the student.

Other times you will find errors on the form because the student has put down the wrong figure. Maybe they put down $50,000 when they meant for it to be $5,000, et cetera, that are just common kinds of errors people make on forms. Some of the other data collected enables us through a series of steps to determine if it is really necessary to collect the detailed income tax return from the student.

Some institutions are very thorough and collect tax returns on every student. We have others, probably the majority of institutions that collect tax returns on a sample of students, anywhere from 10 to 15 percent, some on a random basis and others due to discrepancies. By collecting this information, people find out you are serious and are likely to be checking, and again it tends to insure that people are going to be honest.

Mr. TAUKE. If I really don't have to worry about criminal penalties, is the only thing I have to worry about if I put down false information is I won't receive aid?

Mr. MARTIN. There is a possibility that your aid would be terminated.

However, at the institutions I am most familiar with and have worked previously, when we found a student obviously lied to us and tried to secure aid under the Federal programs, we normally would refer those back to the Bureau of Student Assistance for them to pursue. In addition, we also normally demanded the student to repay those particular dollars.

Students that would not repay the dollars, or that had left, and we couldn't contact, we referred to the Government; otherwise, we demanded they return the funds and put a hold on the records until we secured them. In some cases we turned them over to collectors.

Mr. **Tauke**. The reason I pursue these questions is because in our area, I know of at least one attorney who has the reputation for being one you should go to because he will make certain you get student aid. It appears that works. How does this take place?

Mr. **Martin**. I don't mean to say there are not a few people who are going to lie, and put down misinformation. There are people that are clever, that can figure out the system. For example, I am familiar enough with the system that it wouldn't be difficult for me to fill out a form to make anybody qualify. I am not saying there are not a few people like that. I guess what we deal with is the same thing with any other system that is operated by the Government, whether the Internal Revenue Service or any other program, a few people are going to lie and try to rip off the system.

But again, I must say my experience has been, and the information we get, that these tend to still be fairly small in numbers.

Mr. **Tauke**. In another area, who pays for the needs analysis?

Mr. **Martin**. Under the existing procedures that are in use, if the student is applying to one of the centralized need analysis agencies, the American College Testing or College Scholarship Service, they pay a processing fee, depending on the number of institutions that they are applying to and how many reports are being sent out. They pay a base fee. They also may complete that particular document, and if they wish to apply only for basic grants, then there is no fee involved. They simply complete the document, send it in, and check it is only basic grants they are applying for, and these services are reimbursed by the Federal Government.

Also, in the case of the student who applies directly to the prime contractor, there is no fee for applying only for a basic grant. But currently, there is a fee charged for those students that wish to have their need assessed for campus-based aid.

Mr. **Tauke**. One more question: It occurs to me, as I look at the BEOG grants, instead of determining the actual cost of attendance, it may be preferable to estimate that. It appears you would pay a great deal of money for that additional analysis. Has any thought been given to that?

Mr. **Martin**. There have been some, however I am sure my colleague to the right later may have some comments on that in terms of HEW's concerns about the price and what could happen to the program costs.

The real problem in terms of the actual cost of attendance on campus is basically one of an administrative situation. We have recommended dealing with a reasonable, regular cost of attendance and have included that in our recommendations for reauthorization.

I might add, that this approach has been reviewed by a few people in the bureau who happen to think that is not a bad way to go and might save administrative hassles. We will look at it in more detail.

Mr. **Tauke**. Thank you very much.

Thank you, Mr. Chairman.

Mr. **Ford**. Thank you, Mr. Tauke.

The purpose of this type of meeting this morning was not to have Mr. Martin here as an advocate but as an expert in this field to walk the committee through the process so as we go on discussing these several programs, we have a little better idea of what people are talking about.

Dallas, I have the suspicion, as I look at the content of some of these forms, that we spend a good deal of time in some of the steps involved as a sort of advance audit procedure. We start on the assumption that, unless you have all of these little hurdles to jump over, somebody is going to cheat.

Now, it doesn't matter whether it is HEW or IRS or at the State or local level, people who write regulations tend to write them for the worst possible scenario they can imagine. If they can imagine that one-thousandth of 1 percent of the students could cheat in a particular way, they would set up a device to stop that one one-thousandth and would make everybody else jump over the same hurdle with a great expenditure of unnecessary energy.

Is it a fair assessment that a good deal of the complexity that appears on the chart you have there is really occasioned, not by what is necessary to make a determination by student aid officers with respect to eligibility in the fund, but to insure to the extent possible that the person getting the aid hasn't been cheating on the system?

How much of this complexity, in other words, could we avoid if we started off on the assumption that it would be a crime to file any kind of false information and take a chance on the fact that most people obey the law?

Mr. **Martin**. I think you could certainly simplify and reduce a lot of the items and the steps that are involved, and actually we might find in the long run that the savings was greater from our operation even though there is the possibility of someone slipping through undetected. It is difficult because a lot of these steps in the process are really attempts to coordinate between the various parties sharing of data and information.

But I am also convinced that there are a lot of other items and additional pieces that are either used because of something that occurred in the past, and one assumes someone would take advantage, or we have come up with a rule or statute that is going to necessitate we do it forever, so it won't happen again.

We also have some steps which, quite frankly, have slipped in from time to time because of personal biases or needs of particular people, whether they are aid administrators, people who work in State agencies, people who work within the Federal Government, or whatever. And so an item is added here and there, and pretty soon somebody forgets why it is there, but we assume we have always had it and it must be used by somebody somewhere.

Those types could be taken out and the process simplified and improved.

Mr. FORD. Now that second aspect that you talked about I saw demonstrated by the Pennsylvania State agency with a slide presentation, showing the Pennsylvania form broken down with color overlays to show how much of it is required by the Federal law, how much is required by State regulation, and then how much is required by the individual institution.

One of the consistencies I saw in the several samples that they used in that display was that there was more volume on the form required by the institutional questions than by either the State or Federal but that the State's questions exceeded in Pennsylvania the Federal questions by a ratio of about two to one.

We have the same thing here at work that we have in title I in the Elementary and Secondary Act where we have found that State agencies used to send each local school district 45-page applications for title I, which sort of amazed everybody on the committee, because we thought it was rather easy to use census data and figure out what a school district had coming.

But what the State agencies decided to do was use that form as a sort of census, an annual census, since you had to fill your form out to get our money, it was a nice way to ask all kinds of questions that they were curious about. Since 95 percent of the school districts were applying for the money, it gave them some up-to-date statistical information about a lot of things they wanted to learn, having absolutely nothing to do with the Federal requirements.

To what extent do you think that we could make this program function if we tried to put a limitation on the add-ons by both the State agencies and the institutions?

Mr. MARTIN. I think you could, Mr. Chairman. Let me speak first to the institutions very briefly.

One of the issues facing us now as we look at the application forms is that we have such a diverse group of institutions. We have institutions, for example, that are basically only participating in one or two programs, maybe just the basic grant and guaranteed student loans.

We have others that maybe have just a couple of campus based programs. We have other institutions that have rather elaborate student aid programs due to substantial endowment money, private funds, and so forth.

Now what has occurred is an attempt to develop forms and applications that are all-inclusive, and take care of the needs of everyone. To that end what we have found is that we probably added an unnecessary number of items that may be used by a few institutions that are not applicable to many of the others.

Mr. FORD. There is something else.

It's easy to sit here and say that, because the institutions take on all of this information, we ought to stop it. But it occurs to me that in a school like the University of Michigan, for example—and we visited their student aid office—that the Federal programs in terms of the number of programs, not necessarily the relative dollars, are really not very many in terms of the total number of resources they have available.

Mr. **Martin**. That is correct.

Mr. **Ford**. So if a student filled out a simple form to satisfy us so that we would save paperwork, the institution might miss the chance they had. We have programs that are designed for particular characteristics of people; they have programs supported by industry, for the orphans of factory workers, children of members of labor organizations, children of veterans organizations.

The University of Michigan has a doctoral program endowed specifically for female Orientals. And you ask every student that comes through if they are female Orientals; If you don't, how do you find the people that would qualify?

It would appear to me that, if we simplified a Federal form, it would get set aside, and they will go ahead and do this anyhow because they have got all of this other money to pass out and all of these other programs to participate in, so we would end up with two forms, wouldn't we?

Mr. **Martin**. That's exactly what will happen and, in fact, that is the current debate going on, Mr. Chairman, with the development of the common form that the Bureau is considering. We want to insure that the community agrees on the form prior to its implementation because if the form does not have enough data the number of supplemental forms will increase and we will have a proliferation of documents.

That is a very fine line and it's a very tough one to walk when you take into consideration schools as you have described. On the other hand, you should not necessarily have, when you have very specific programs, every student in the country filling out every single item such as some of the ones you have described when they may not be eligible.

But we have got to try to hit a balance on all these factors.

Mr. **Ford**. Well, the Office of Education has been telling us for some time that they are close to the magic, simple form, one form that is going to take care of everything. But I heard, as you know, from people in the organization that you represent, more than once and most recently last weekend, great concern about the Office moving too quickly to make something too simple.

That seems to be an anomaly that is hard for us to explain to our colleagues, that the college community would not jump at the chance to have a simple, uniform form to deal with instead of the present complex system they have.

Is it because of a reluctance to change on their part or is there a genuine concern that they are going to find it difficult to deal with a single form?

Mr. **Martin**. Mr. Chairman, I agree with you; it's kind of ironic that we are saying to the Office of Education, slow down, when for so many years we have said to them, why don't you get busy and do something?

But let me try to respond. I do not think it's merely a reluctance to change by and large for most people.

Our Association and many others have for some time endorsed the concept of moving toward simplification and improvement and efficiency in these various forms and to that end we have worked very closely with the Office of Education by providing technical assistance and input.

The concern we have relates to the major changes institutions have had to absorb this last year—the complete change in the fiscal reporting process and new funding mechanism, the impact of middle income student assistance, more applicants than we have ever had before—trying to adjust and deal with a whole variety of other things, such as validation and increased emphasis on loan collections.

To initiate a new form at this particular time causes many people to be concerned since they are currently facing guidelines in preparing informational brochures for high schools for next year, their college catalogs, printing schedules, and so on.

They feel it would be wise to at least delay implementation for a year until such time that we could not only check with the community to insure that the form contains the needed elements so we don't get into the proliferation you and I are concerned about, but also insure that the information that flows to counselors and to students and parents next year is timely. To make changes and not know the implications may cause disruption to them and the dissemination of incorrect information.

The other thing some people are concerned about is the fact that we are right now looking at a total reauthorization and revision of all of these programs. We are concerned that if there are substantive program changes made during reauthorization, the needs of some of the forms and documents might be somewhat different a year hence and, therefore, why take the time and the effort to do it now—why not wait and see what we are coming out with in improving the whole system.

There have also been arguments made that when we talk about simple forms we are basically doing this currently through the Bureau of Student Assistance.

You must keep in mind that many colleges out there in many cases also are administering the programs through the Bureau of Health Manpower with health and nursing programs. We have programs through the Department of Justice and others and these same core documents we have used for years with the services are used to administer all those programs through our own campus programs.

So our needs are a little different than just looking at the title IV programs, and I think that is why some people are concerned and why you are hearing the comments you are.

To this end, in terms of trying to balance this off and to keep away from the emotionalism that often surrounds these kinds of issues, we met with people from the Bureau at a coalition meeting, and at that particular time they did provide us with a copy of a draft of their new simplified common form and instructions, and we currently have that at the printer to distribute to our members.

Before this weekend is over we will be mailing the form to all our institutional members across the country and asking them, on a brief survey, to very quickly analyze the form and review it to get back to us information so that we have some proof of what the needs really are and to see if, in fact, this is perceived a problem or if, in fact, the majority of people say they can live with it and it is the right way to go.

I would like to try to get some factual information on it rather than trying to argue the merits emotionally either with my constituencies or also with my colleagues or at the Bureau.

I am hoping that is what we will be able to obtain, and we will share that information with you.

Mr. FORD. Even though this is a good point you are just making, we are talking here about only part of the Federal Government's involvement in supporting education.

The Veterans' Administration sits over there and writes regulations; HEW writes the regulations for our legislation; Agriculture writes them for something else, and it goes on and on.

Mr. MARTIN. That's correct.

Mr. FORD. Could we profitably look at the differences that exist in the qualifications and attempt to get some kind of uniform Federal criteria established?

Would that do more good than working on a single form?

Mr. MARTIN. It certainly would be welcomed by a lot of us who for years have struggled in terms of trying to get some consistency in the various programs. As you well know, we run into two problems.

One is, as you well know, we have differing jurisdictions on various committees with some of those programs and, obviously, we get into differences there.

Second, we also have within some of these programs—particularly the manpower type programs designed for very particular needs, particularly in the health professions, nursing, and even the justice area—and those programs have some criteria that are quite different.

I happen to believe those programs have served some useful purpose and a lot of people have benefited from them. But I still believe a lot of things could be standardized and simplifed so that at least the basic criteria for people on them does not, to me at least, seem to be that different that, yes, they might be changed and consolidated to eliminate some of the problems.

Mr. FORD. Mr. Ratchford?

Mr. RATCHFORD. Mr. Chairman, most of the questions have been asked, but my plea would simply be for simplification.

I have had the experience both as a State legislator and a general practitioner of having parents come into my office, present the form, throw up their hands and plead with me to assist them. I just wonder if you have any sense for the number of people who are discouraged by these processes to the point where they don't participate.

Mr. MARTIN. I do not have exact numbers; I have heard various numbers quoted, Mr. Ratchford. I am not certain of the accuracy of those; I am not sure that is an issue any of us know for sure. I am convinced there are parents and students throughout this country who could be served by the programs who give up in frustration and walk away from it.

I am also convinced there are others we are still not reaching, and I think it's unfortunate we are losing those individuals. So I agree with you and, as I said, I do believe there can be a lot done to simplify these forms. In fact, the forms themselves are in various degrees now.

You can find quite some different items on those as I said; however, they do serve different constituents and differing needs.

Mr. **Ratchford**. Well, assistance is available to the low-income kid from the inner city who may or may not have a parent around home even to provide the information, for example.

Mr. **Martin**. This was one thing that I think with the basic grant programs, as I said earlier, the basic grant program historically has been a program that has had a simpler form. It was also a program in the early age because of the nature of the access-type form; the forms were distributed not only in the traditional places of high school counselors, and so on, but in post offices, grocery stores, libraries, and so on, where they would reach people in exactly the kind of environment you are talking about.

In fact, we have worked for several years on that program through the training contract that the Federal Government sponsors with youth serving agencies in those areas in inner city agencies, because again many of these people have either dropped out of high school or not attended on a regular basis and normally don't see the traditional high school counselor.

I think to that end that those kinds of efforts and working with the simpler form and doing that at least to get them into the stream, so later on perhaps the aid administrator or somebody else can sit down with them and explain the others, and to help them in that process is important.

Mr. **Ratchford**. What about the student from the non-English-speaking family?

Mr. **Martin**. I did not include any of these simply because I didn't have samples available, but each of the services as well as the Federal Government does have copies of their forms in Spanish. I am not familiar with any other language that they are currently translated into. But I know each has a Spanish version of the form.

Mr. **Ratchford**. Just a final observation.

It appears to me that the complexity is so great that it shifts the preparation away from the parent who would willingly do it to the guidance officers in the high school or the loan officer in the college.

It's increasing the burden at that level.

Mr. **Martin**. I agree. It appears to be a very complex process. I think one of the things we find with it is that really a lot of the burden in terms of the aid administrator necessarily has to remain there for the simple fact that with these programs, for example, we have so many variances.

For example, currently there are seven different Federal loan programs, each of which has different interest rates, conditions and repayments, and so on. To expect high school counselors or guidance counselors to keep all of those straight is almost impossible.

It's hard enough for an aid administrator who works with it daily. So part of that I think probably belongs with the aid administrator who is a professional and who should be doing that.

On the other hand, I agree, the front end process should be to get people in to do that, so then parents, counselors and others can do that more readily.

Mr. RATCHFORD. I am a bit reminded of the heralded simplified new income tax return for this year, which has resulted in more people going to accountants and lawyers than ever before. And if this is the effect of simplification, I just am saddened by it.

Mr. MARTIN. Yes; I would be saddened also, Mr. Ratchford, and I hope in sincerity we can work through a process so all of us can live with it, and something that would not come out the other end that same way. I would like to see if we can make some progress and we are committed to working to that end.

Mr. RATCHFORD. I hope you will be available to the committee.

Mr. MARTIN. I certainly would be.

Mr. RATCHFORD. Thank you.

Mr. FORD. In 1976 we enacted a number of provisions in the Higher Education Act that we referred to as consumer information provisions. We set forth in section 493(A) of the act a requirement starting on July 1, 1977, for institutions to provide certain kinds of information. We enumerated in general terms a whole raft of things that would be put into a package of information made available to people who came to the institution designed not only to inform the student with respect to the availability of assistance but with respect to their responsibilities as recipients of that assistance.

To what extent has this been, in fact, implemented, in your opinion, since July of 1977? Have the institutions responded well to this and do they have effective material to carry out the provisions of the law?

Mr. MARTIN. We have received, Mr. Chairman, a variety of samples of publications from our members that have been developed as a result of these provisions which I would be happy to share with you. I have included only one copy today as an illustration under section B of the book here of the kind of documents being produced, but we have a lot of others that are in some interesting formats and different styles, and so on.

Some have been done much more elaborately than this particular document; some are more in a newspaper foldout kind of thing with a lot more cartoons and artwork that is catchy and attractive to students. But, yes, we feel that the majority of our institutions have complied with those particular standards, and that better information is getting out there to individuals, and so on.

The thing that we are not able to assess as well is whether or not the other part of that particular section dealing with the counseling functions, having people available on campus, if that has substantially increased, and I don't have a good feel for that.

But I can tell you at least as far as the information in the brochures that are going out from institutions to both prospective and enrolled students has been substantially increased as a result of that requirement which you all included in the 1976 amendments.

Mr. FORD. In the 1976 amendments we then went on and imposed some duties on the Secretary of HEW or the Commissioner of Education, rather.

"In order to assist in the expansion of an improvement in campus student aid information services the Commissioner shall:"

and we charged him to conduct a survey with respect to what kind of information was being given and what was needed:

"Convene meetings of financial aid administrators, students and other appropriate representatives to explore means of expanding campus financial aid information services, and improving training of part-time individuals involved in the services.

"Whenever possible include student peer counselors and other part-time financial aid personnel and training programs sponsored by the Office of Education."

Finally, "Make recommendations to Congress not later than October 1, 1977, concerning his findings and legislative proposals for improving the use and quality of services part-time campus financial aid personnel."

So far as I know, the October date has come and gone without a specific recommendation under this statute coming to us from the Commissioner.

What about these other activities? Has the Office actually spent some time and money on training and learning about the delivery system?

Mr. MARTIN. I know, Mr. Chairman, that there was a study that was done by the Office of Education on peer counselors that they had contracted and I do know that product was delivered. There has been an extensive training program that has been done by the Bureau of Student Assistance for high school counselors, financial aid administrators and fiscal officers last year.

I also know that when those were sent out that administration personnel as well as students were invited to attend some of these initial workshops in terms of peer counselors and so on, and that information, I don't have exact figures with me of the attendance, perhaps the number of students that attended those workshops, but I could get those for you if you would like to have it.

I am not familiar with all of the other things in terms of the other meetings and requirements of the report. Those are the only ones I am familiar with out of that section.

Mr. FORD. Thank you.

I would like to just observe that as you stated a little while ago, I think in answer to one of Mr. Tauke's questions, what we have on the board up there is the final results of a number of separate pieces of legislation considered at different times with different objectives in mind over some now 20 years.

Mr. MARTIN. Twenty years, yes.

Mr. FORD. This will be the first time, if we succeed with the kind of reauthorization we are contemplating this year, that all of these 20 years of programs will be packaged up in one piece of legislation and considered by the committee and the Congress, each one weighed against the other, instead of floating in there on separate environments.

One of the reasons I want to do it this way is that we have already learned in elementary and secondary that, as we have been able to get all of the programs into a single phase, the Administration has become simpler at all levels. I would hope that, as we are packaging all of these programs, we don't get bogged down so deeply in each of the constituencies fighting for their own turf that we are not able to package a more rational Higher Education Act so that all of these parts do relate one to another.

For example, the 1976 amendments I just mentioned to you were discussed in 1972. We could not quite figure out what to do then.

BEOG's came into existence, and the whole process became much more complex. By 1976 we had the same kind of concerns that have been expressed here this morning about how complicated the system was getting, and the concern was then advanced, as it has been this morning, that maybe one of the bad results that comes from this is that people who are the intended recipients of aid are not getting the aid because it's just too complicated to get.

It's entirely possible that we have had enough experience with these programs now so the reauthorization in this Congress will result in a kind of uniformity that will facilitate simpler procedures and simpler forms.

I want to thank you on behalf of the committee for the tremendous amount of work you have put into this handbook. I know you made enough of them for all of the members of the committee. I hope we can get a few more and make them available to the members of the full committee who would like to have their staffs take the time to go through them.

Just having something like this available will make it much easier for our members to understand what the witnesses have been talking about and will be talking about. Frankly, I have never seen anything like this since I have been on the committee. No one has ever done this for us before and we appreciate the very obvious amount of effort that you have expended to do this.

I would observe that it's nice to see that people in the industry are able to do this. If our friends at the Office of Education tried to put something like this together for us, it would take OMB 5 years to authorize them to give it to us.

Mr. MARTIN. Mr. Chairman, let me just say in closing that we appreciate the opportunity to be here. You know we hope out of this, while it looks complex, that we would not leave you with the impression or others that the whole system ought to be torn apart and revamped. We really believe these programs have served the citizens well.

It is a very diverse population we are dealing with. It is coupled with unique and individual circumstances of our citizens which obviously need to be considered.

But we would agree with you that some of the constant changes, tinkering and revisions in the last few years have added also to the complexity and keeping people off guard, and if we could get some stability in the programs and eliminate some of the inequities and improve those and work for simplification, I am sure the programs would serve all of our citizens better.

We thank you for the opportunity of being here, and leave you with these materials, and I might add, Mr. Chairman, also, in regard to the briefing books, we will be bringing other sections for the witnesses on Tuesday on the need analysis that will drop right in behind these with some other materials on that section.

So you will have those as a reference, too, for the members of the committee for their review. And also perhaps in helping them answer questions from their constituents.

Thank you again for the opportunity to be here.

Mr. **Ford**. Thank you very much.

Mike, you are next.

STATEMENT OF MICHAEL O'KEEFE, DEPUTY ASSISTANT SECRETARY FOR PLANNING AND EVALUATION/EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY JOHN CHAPMAN

Mr. **O'Keefe**. Thank you very much, Mr. Chairman and Mr. Tauke.

At the outset I should perhaps indicate that the statement you have before you has been entirely and in every word cleared by OMB.

Mr. **Ford**. Without objection, the prepared statement will be inserted in full at this point in the record.

[The prepared statement of Mr. O'Keefe follows:]

PREPARED TESTIMONY OF MICHAEL O'KEEFE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Chairman Ford and Members of the Subcommittee:

Thank you for the invitation to appear before you today. I have been asked by the chairman to provide background information on the aggregate cost of postsecondary education and who pays those costs. The challenge in such a task is to put before you sufficient information to be useful without getting mired down in details. I have attached a number of charts to supply the detail, but, in my presentation, I will concentrate on information that provides a basic perspective on issues in postsecondary education.

This statement is organized in three sections. In the first section, I will present information on postsecondary finances from the point of view of the institutions. In the second, I will discuss costs as they are actually encountered by the student and family. Finally, in the third section, I will briefly discuss how students and families now meet those costs.

The bulk of the information which I am presenting today is derived from surveys and studies undertaken by the National Center for Education Statistics, from budget figures prepared by the Office of Management and Budget, or from data collected as part of the management of the programs.

I. The Finances of Postsecondary Education: the Perspective of Institutions.

A. Enrollments and Institutions

At the outset, it is helpful to get a sense of the magnitude of the postsecondary enterprise from the perspective of the numbers of people as well as dollars. In the Fall of 1978, there were about 12.6 million students enrolled in postsecondary education, of whom 11.4 million were in the collegiate sector and the remainder in proprietary schools. Collegiate institutions that year numbered 3,046, of which slightly more than half—1,591—were privately controlled but enrolled only about 21 percent of the total student population. Slightly less than half—1,455 were publicly controlled and enrolled almost 80 percent of all students. This enterprise employs some 823,000 faculty, over half (56 percent) of whom are tenured.

B. Revenue to Colleges and Universities

In fiscal 1977, surveys undertaken by the Center indicate that revenues to postsecondary education totalled $43.4 billions. Chart 1 shows the sources of these revenues for all colleges and universities in 1976 - 1977. Taken as a total, state and local support is the largest—34 percent of revenues—with tuition and fees (21 percent) and the Federal government (17 percent) of next importance. The category labelled "other" includes income from gifts, return on endowment fund investments, and income from dormitories, hospitals, and food services. The mix of income varies substantially between the private and the public sector. Charts 2 and 3 show the same information separately for each sector. For public institutions, state and local governments provide almost half the support, the Federal government 15 percent, and tuition and fees 13 percent (Chart 2). For private colleges and universities, tuition and fees are the largest single source of revenue (36 percent), but the categories included in "other" contribute 41 percent of the total (Chart 3).

C. Changes Over Time

How have these patterns of financing changed over time? Charts 4 and 5 show the sources of revenues for public and private institutions for 1965 through 1977. For public institutions, revenues increased about eight-fold in this period. On a per-pupil basis, this is an average annual rate of about 10 percent. Federal support and tuition and fee revenues both increased but the most substantial increase came in the level of State support, partly reflecting the growth in the number of public institutions over this period of time. In private institutions (Chart 5) revenues between 1965 and 1977 increased about four-fold in the aggregate and, on a per pupil basis, at an annual rate of about 19 percent.

D. Federal Support

The amount of Federal assistance has increased dramatically over the past decade and a half, due primarily to the growth in the student aid programs you are now reviewing.

Between 1965 and 1979, total Federal support to postsecondary education increased from roughly $2 billion to $13 billion, a total increase of 550 percent or an average annual increase of about 13 percent. Chart 6 presents total Federal expenditures for postsecondary education from 1965 to 1979. These figures are drawn from analyses of the total Federal budget done by the Office of Management and Budget.

Between 1965 and 1979, research and institutional aid to postsecondary education increased substantially — both about fourfold. However, the change during that period which most significantly altered the basic nature of the relationship between higher education and the Federal government was the increase of funding for students. In 1965, OMB figures show that the Federal government provided about $200 million in student assistance, including NDSL. By 1979, Federal outlays in the form of assistance for students will approach $8 billion. This total includes all student aid programs administered by the Office of Education, others administered by HEW, GI Benefits, and Social Security student benefits. Between 1965 and 1979, student assistance mulitplied 38-fold, an average rate of 30 percent per year.

In summary, from the point of view of the postsecondary institutions, the Federal government remains a junior partner but a very important one. However, from the perspective of students and their families, the Federal role has become increasingly critical, as the next portion of this discussion will show.

II. Financing of Postsecondary Education: the Student's Perspective

A. Average Typical Costs to Students

The information I have just summarized gives one sense of the financial structure of this nation's postsecondary enterprise. However, it does not give an adequate insight from a point of view which is important in discussing the student aid programs USOE administers—the point of view of the student. Whatever the aggregate financial structure of postsecondary education, the costs faced by students addressing the question of whether or where to attend college are also critically important. The underlying purpose of our student aid programs has been to assure access to postsecondary education, irrespective of income, by reducing the relative cost of college to the low-income students. To ascertain the extent to which this objective is being met, we need to look at costs as students see them.

In Chart 7, estimated student charges are shown for 1978-79 by type of institution. These include the average public institution with charges of about $2,800, the public 2-year institution ($2,400) and the public 4-year institution ($3,000). The average private institution had total charges of approximately $4,400. Student charges, as defined by the surveys which collected this information, include tuition, fees, room and board.

How many students actually faced these levels of costs? About half the student population is enrolled in public 4-year institutions and slightly more than a quarter of all students are enrolled in public 2-year institutions. More than three-fourths of all enrolled students had to meet costs which averaged less than $3,000 per year. Less than one-fourth of all students (23 percent) are enrolled in private institutions with costs averaging about 60 percent higher than this.

There is much concern about the very high costs of some private institutions. It is interesting to note (although somewhat of a tautology) that only about 3 percent of the total student population is enrolled at the very high-cost private institutions — those which charge $7,000 or more per year.

The chart also shows student charges for each of these categories a decade earlier. Over this decade, charges to students enrolled in public institutions increased an average of about 10 percent per year while for those in private institutions the increase was an average of about 7 percent.

B. Average Costs Over Time

These are average figures for various institutions. It is also helpful to look at average costs as they exist today and as they have changed over time. In Chart 8, average charges per student are shown from 1964 to 1978. The chart also shows the share of those charges which are met by Federal student aid.

Total student charges—those paid by all students combined—were approximately $22 billion in 1978. Of this amount, OE student financial assistance programs covered $3.3 billion or approximately 15 percent. On a per-student basis, of the average charge of $2,590, some $388 in Federal assistance was available. These figures should not be misinterpreted: they are averages obtained by dividing total student charges in the indicated year by the full-time equivalent enrollment that same year. Among students actually receiving Federal assistance, the average was substantially higher. For example, the average Basic Grant in 1978 was $780.

From 1964 to 1978, the average price tag for postsecondary education increased from $1,260 to $2,590, an average increase of approximately 5 percent per year. In that same time period, Federal support to students and parents in the form of financial aid increased about twelvefold for an average of 19 percent per year. In 1964, Federal support met only two percent of the average student charges. By 1978 this had grown to 15 percent.

The impact of Federal student aid is even more dramatically shown if we look at these figures in terms of constant dollars. Taking inflation into account, average student charges increased only about 1/2 of one percent from 1964 to 1978. After Federal assistance is taken into account, average charges faced by students and their families (in constant dollars) actually decreased about 12 percent from 1964 to 1978. Thus, Federal financial aid programs have had a substantial and positive effect on the price of postsecondary education as seen from the perspective of students and their families.

III. How Do Students and Families Meet These Costs?

A. Total Amounts Available to Students

To meet these costs, students obtain financial assistance from a variety of sources. These include the family's contribution, the student's own funds derived from savings or work, Social Security and Veterans benefits received by the family, Basic Education Opportunity Grants, other grants including Supplemental Education Opportunity Grants, state and institutional grants plus other scholarships, College Work-Study funds and loans from various sources including the Federal programs.

Chart 9 displays estimates recently done by the Office of Education's Office of Evaluation and Dissemination of the total assistance available to students from each of these sources. Some elements of this estimate are very rough because of the quality of data available to make them. However, they do give a feel of the general dimensions of assistance to students.

Total assistance to students is estimated at $9.4 billion. $8.9 billion of this comes in the form of grants, including $2.6 billion for BEOG and $6.3 billion for other grants. College Work-Study contributes approximately $.5 billion this year. The amount parents are expected to contribute, as estimated with the widely-used system called the Uniform Methodology, comes to approximately $14 billion.

When all these sources of assistance are combined and subtracted from the total costs faced by students, we get an estimated remaining need of approximately $5 billion. This remaining need is obviously met; that is, students do attend college and do somehow obtain the financing required. Students meet that remaining need through some combination of their own work (only a small amount of which is assumed in the Uniform Methodology calculations), a larger than expected family contribution, or loans.

B. How Family Income Affects the Way Costs are Met

From the point of view of the student, the manner in which all these funds are combined is exceptionally important. For the poor student it can affect the decision to attend college and can have a great influence upon the choice of institution. It can also determine the amount of loan burden which a given student must assume if he is to attend college at all.

Chart 10 presents an idealized description of how sources of funding are combined for students with varying family incomes. Where average costs of attendance are about $3100, this chart shows the average amount of aid of a given kind provided per student in each of the income categories.

As income increases, the expected family contribution also increases until it reaches a point at which the family is considered to have adequate resources to cover the full cost of attendance. Basic Grants, as the chart shows, are distributed in a progressive fashion, that is, low income students receive larger BEOG awards than middle- or higher-income students. Other grant income and college work study funds are also distributed in a generally progressive fashion.

The most important observation to make from this chart is that the remaining need — that amount which a student must make up through his own work, through an increased family contribution, or through loans — is greatest for the lowest income student and least for the upper-income student. For example, this remaining need averages about $800 per year for the lowest income student and about $500 per year for the student with a family income of $20,000.

The final two charts illustrate how the various sources of financial assistance are combined, depending on family income (lower versus middle) and type of institution attended (private college versus two-year public institution).

The foundation upon which other student aid is layered is the expected family contribution and the Basic Grant. Note that in each instance, while the Basic Grant narrows the difference in resources available to each of the students, it does not fully close that gap.

VI. Summary

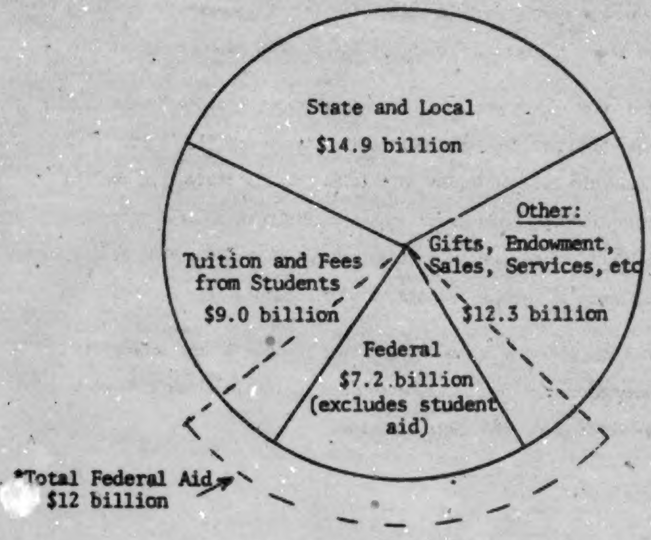
In this testimony, I have summarized information on the aggregate finances of postsecondary education. An enterprise which costs this nation about $43 billion per year, our colleges and universities educate some 11 million people each year. In total, the Federal government annually contributes about $12 billion or 28 percent to this effort.

For the consumer of postsecondary education—the student—the yearly cost averages about $2,800 for public institutions and $4,400 for private institutions. The Federal impact is critical to the student in meeting those costs. In 1964, Federal assistance helped meet about 2 percent of total student costs; last year it is estimated that the Federal government contributed about 15 percent of total student charges.

The Federal government remains a junior partner in the support of postsecondary education but an important one to institutions and—most critically—to students and their families.

CHART 1

FINANCING POSTSECONDARY EDUCATION: WHERE DOES THE MONEY COME FROM?



- TOTAL = $ 43.4 billion

Public = $ 29.3 billion
Private = $ 14.2 billion

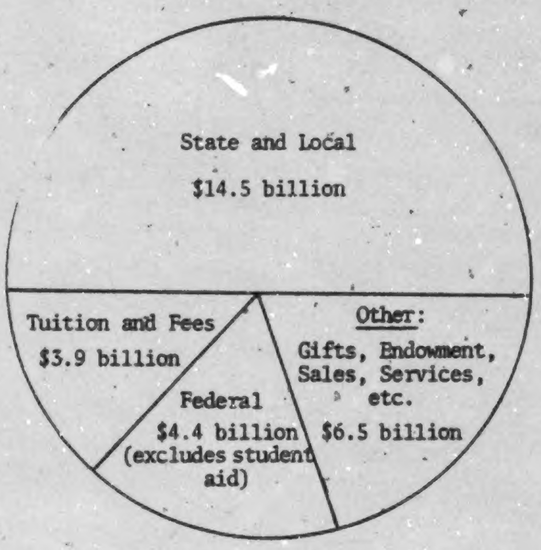
SOURCE: NCES, *Financial Statistics of Institutions of Higher Education, 1976-77*. Table 123.

* Includes: Student Aid, Institutional Support, Program Funding and Research, excluding Social Security -- Data from OMB, Special Analysis, 1978.

CHART 2

FINANCING POSTSECONDARY EDUCATION: WHERE DOES THE MONEY COME FROM?

PUBLIC INSTITUTIONS



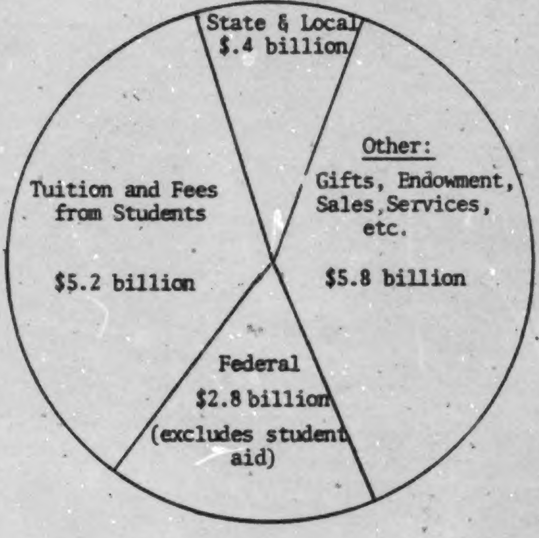
TOTAL = $29,255,333,000

SOURCE: NCES, Financial Statistics of Institutions of Higher Education, 1976-77. Table 123

CHART 3

FINANCING POSTSECONDARY EDUCATION: WHERE DOES THE MONEY COME FROM?

PRIVATE INSTITUTIONS



TOTAL = $14,181,494,000

SOURCE: NCES, Financial Statistics of Institutions of Higher Education, 1976-77. Table 123.

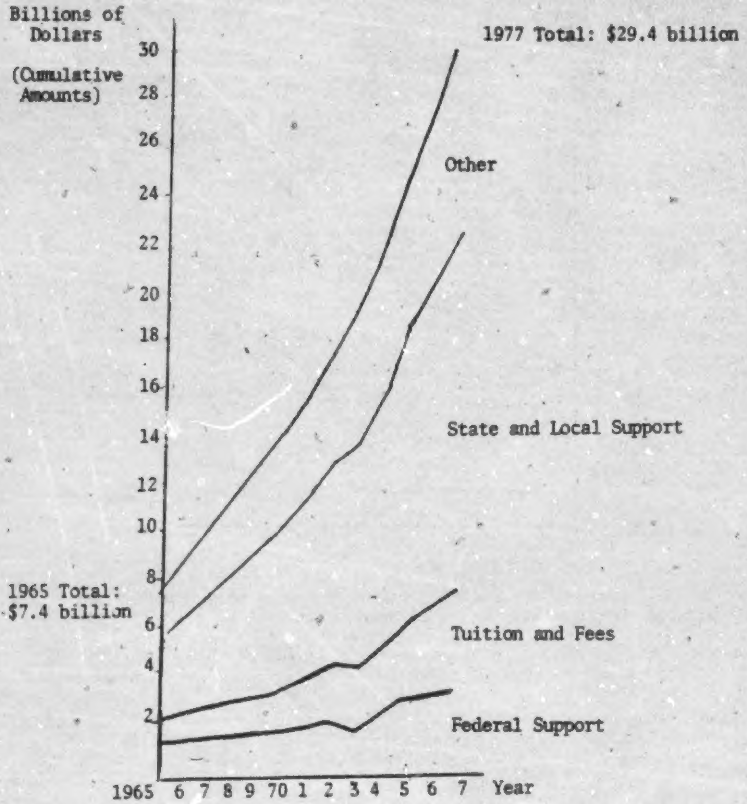
REVENUES TO POSTSECONDARY EDUCATION

1965-1977

CHART 4

Public Institutions

- o Total revenues to public institutions increased three-fold between 1965 and 1977, an average annual increase of about 25 percent.
- o On a per pupil basis, revenues increased by 101 percent in this period, an annual rate of about 8.4 percent.



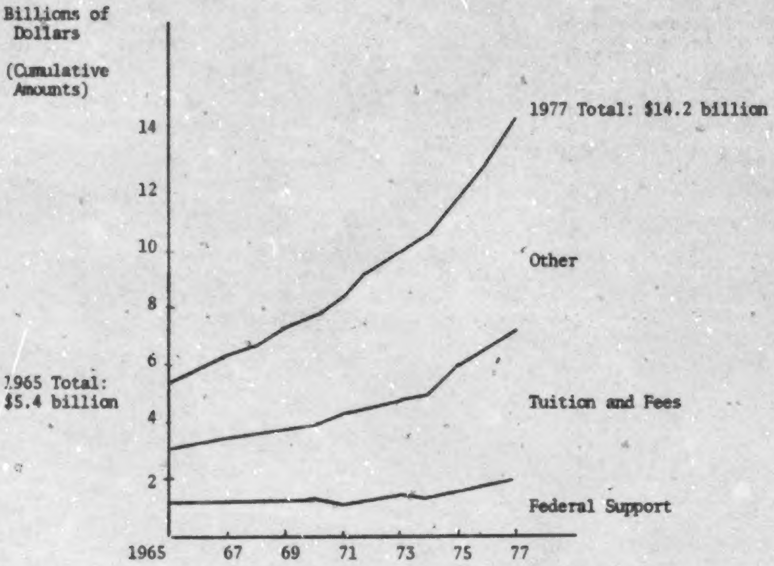
SOURCE: National Center for Education Statistics, Financial Statistics of Higher Education, FY 1976 State Data. Data after 1975 from NCES, University and College Surveys and Studies Branch.

CHART 5

REVENUES TO POSTSECONDARY EDUCATION

1965-1977

Private Institutions



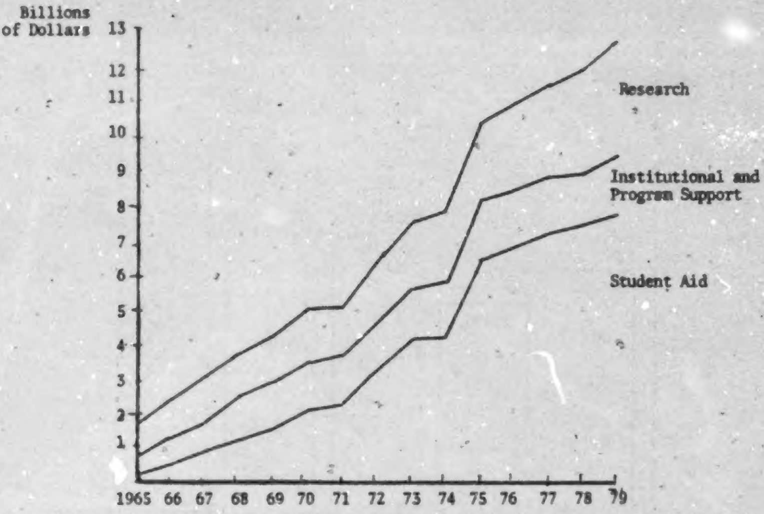
- o Total revenues to private institutions increased more than 1½ times between 1965 and 1977, an annual average increase of about 13.5 percent.
- o On a per pupil basis, revenues increased by 121 percent in this period, an annual rate of about 10 percent.

SOURCE: National Center for Education Statistics, Financial Statistics of Institutions of Higher Education, FY 1976 State Data. Data after 1975 from NCES, University and College Surveys and Studies Branch.

CHART 6

INCREASES IN FEDERAL SUPPORT

	Total Change 1965 - 1979	Average Annual Increase
Research	234%	9%
Institutional Aid	222%	9%
Student Aid	3,830%	30%



SOURCE: 1965, The Budget of the U.S. Government
1971-1979, Special Analyses, Budget of the United States

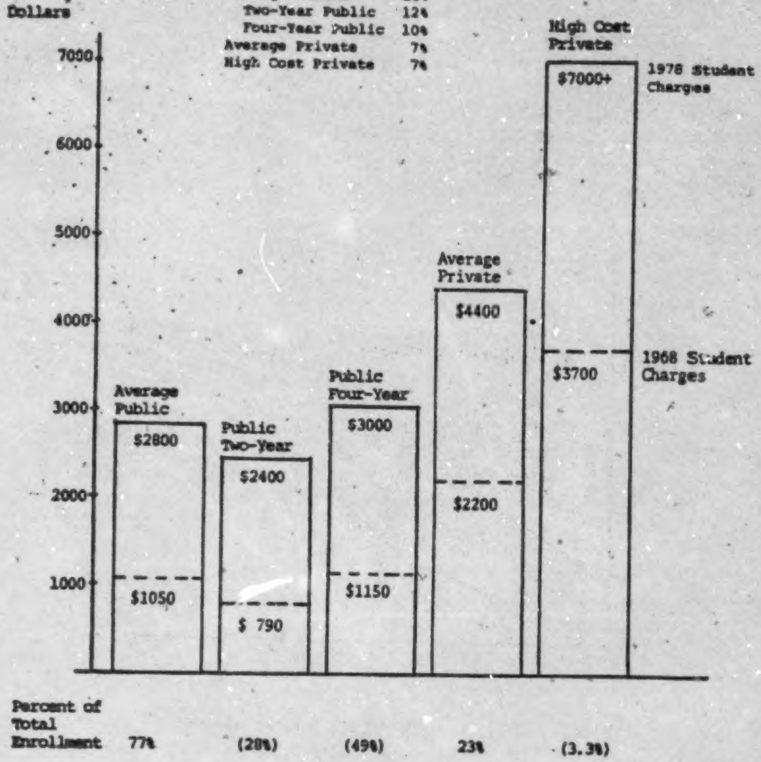
CURRENT STUDENT CHARGES

CHART 7

By Type of Institution 1978-79
(Tuition, Fees, Room, Board, etc.)

Average Annual Increases
1968-1978

Average Public	10%
Two-Year Public	12%
Four-Year Public	10%
Average Private	7%
High Cost Private	7%

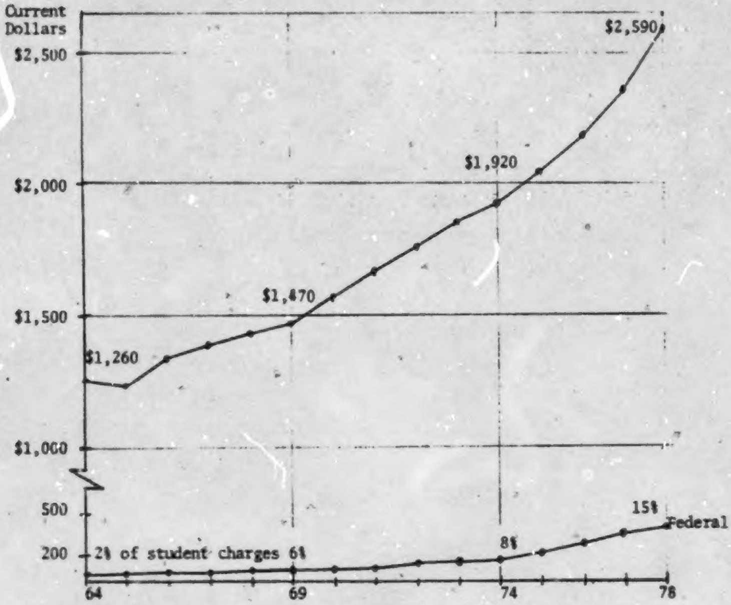


Source: College Scholarship Service. Basic Student Charges, 1978-79.

CHART 8

AVERAGE STUDENT CHARGES AND FEDERAL SUPPORT PER STUDENT, 1964-1978

- o Average student charges more than doubled from 1963-64 to 1977-78 (105 percent increase).
- o In the same period, Federal support per student increased more than 12-fold (in the face of a 130 percent increase in the number of students).
- o In 1963-64 Federal support met 2 percent of student changes; by 1977-78 this had risen to 15 percent.



SOURCE: NCES, Projections of Education Statistics to 1986-87 (Tables 8 and 36) and Bureau of Student Financial Assistance: Factbook and Program Book.

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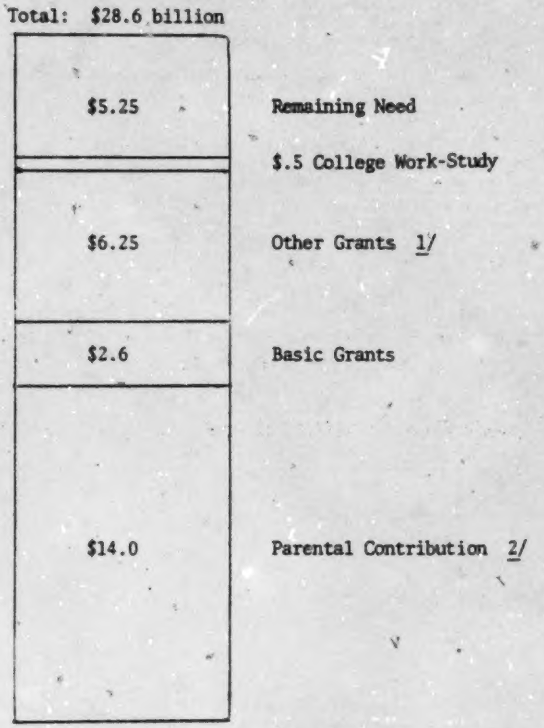
CHART 9

TOTAL AGGREGATE ASSISTANCE TO STUDENTS
($ in Billions)



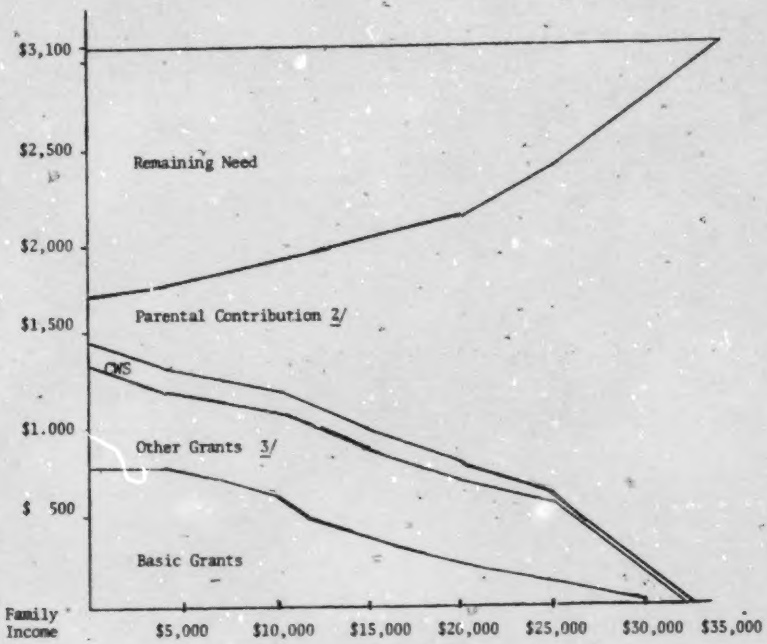
1/ Includes Supplemental Education Opportunity Grants, State Grants, Institutional Grants, Social Security, and Veterans Benefits.

2/ Calculated using the Uniform Methodology.

CHART 10

IDEALIZED DESCRIPTION OF HOW SOURCES OF FUNDING ARE COMBINED 1/

(Average Cost of Education: $3,100)



1/ Averages over all students in each income category.

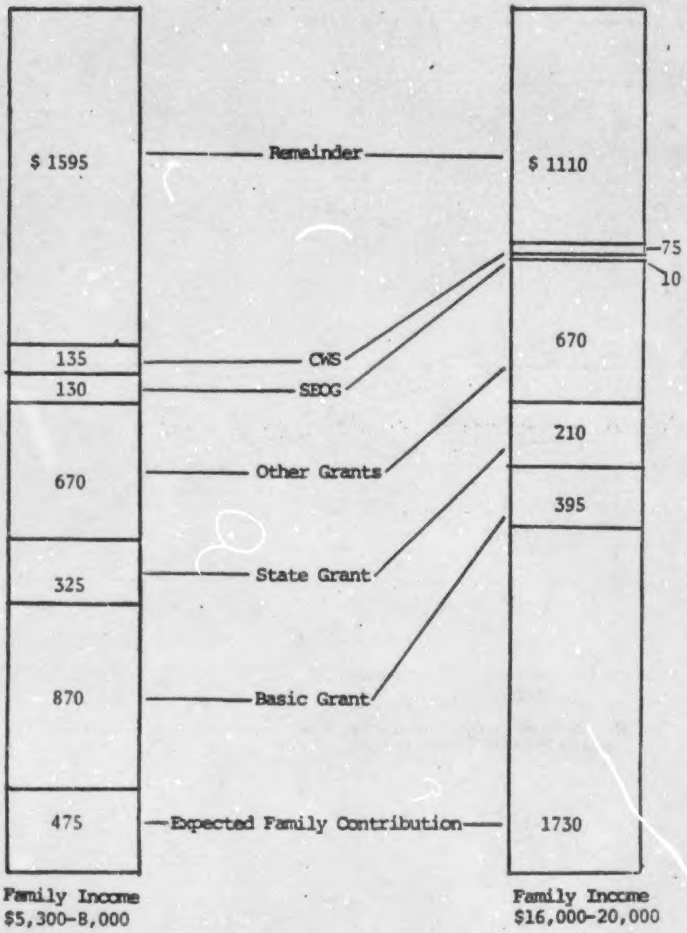
2/ Estimated according to the Uniform Methodology.

3/ Includes SEOG, State Grants, Institutional Grants, Social Security, and Veterans Benefits.

CHART 11

FINANCIAL AID PACKAGE FOR AN AVERAGE STUDENT*

Private Colleges
(Tuition, Fees, Room, Board: $4200)



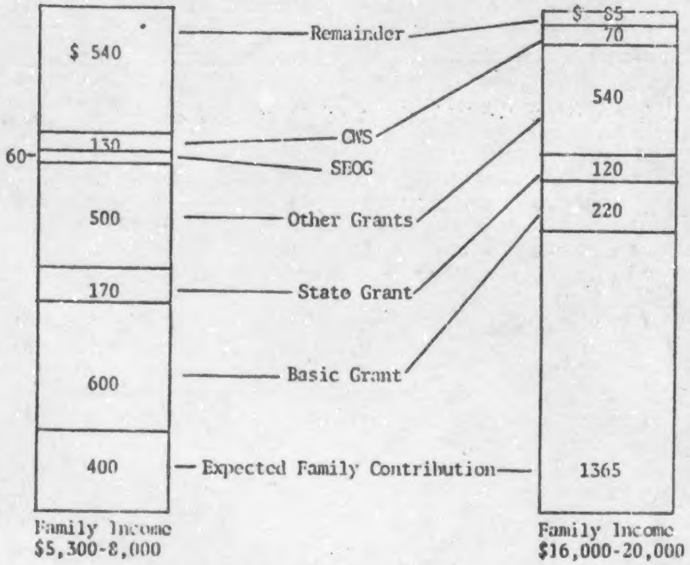
*Averaged over all students in given income category.

Source: Office of Evaluation and Dissemination, USOE, (unpublished tables)

CHART 12

FINANCIAL AID PACKAGE FOR AN AVERAGE STUDENT*

Two Year Public College
(Tuition, Fees, Room, Board: $2400)



*Averaged over all students in given income category.

Source: Office of Evaluation and Dissemination, USOE, (unpublished tables)

Mr. O'KEEFE. Thank you.

Thank you very much for this invitation.

I am accompanied by a colleague of mine, John Chapman, who is going to give me some assistance.

I would like to make a brief summary of this statment that I have prepared for you.

You have asked me to develop some figures and facts on the aggregate financial structure of postsecondary education.

Dallas has taken you, I think, very ably and informatively through the student's point of view of how the process of obtaining aid goes forward.

I would like to step back to the other end of that process and talk about the aggregate dollars, the aggregate system both from the point of view of the institution as well as from the point of view of the student.

In these summary remarks I will first cover the question of where the dollars come from, from the perspective of institution—highlighting the Federal impact.

Second, I would like to shift to the point of view of the student or family and talk about the actual costs the student faces, how those costs have changed over time, and how in the aggregate, in terms of dollars available from various sources, those students are, in fact, paying the costs of their education.

The first chart that I have prepared shows the source of revenues to the postsecondary sector.

This chart represents the total for the entire system. This is broken down by public and private institutions in the testimony. At the back of that testimony are two pie charts that show revenues for public institutions and for private institutions.

State and local support represents the largest price of the total structure of postsecondary education. It accounts for about 34 percent of revenues. A total of $43.4 billion is spent in these enterprises in our society each year; $15 or so billion come from State and local sources.

The local amount that is relatively small; however, many community colleges are financed on a local tax base, and that is what appears as local.

The second largest is tuition and fees, on the order of $9 billion. Endowments, sales and services is a category that is defined as the income or the revenue from dormitories, from food services, from hospitals, and is another source, another large source of income to institutions.

The Federal Government provides something on the order of about $7 billion to institutions, exclusive of student aid.

The solid pie chart is derived from data that are collected from institutions by a survey in which institutions indicate, according to their accounting systems, the source of dollars of revenue.

I have tried to illustrate with the dotted line that the total Federal aid that goes into higher education is more than that accounted for in the solid chart because much of the student aid goes directly to the student or the family. Social security benefits and Veterans' Administration benefits go to the family and the individual; thus those dollars would not be counted in the accounting systems of the universities themselves.

Total Federal aid to that system is indicated by the dotted line. It intrudes into both tuition and fee sector of the chart as well as gifts, endowments, and sales and services, since families use additional student aid income to pay tuition and fees. In those instances, the institution does not recognize that tuition dollars are, in fact, coming from the Federal Government. Those moneys are also used to pay for dormitories, for room and board at the institution.

I am trying to show a little more in this chart than it is really possible to show, and I should footnote so that it is not misinterpreted. There are often ways in which that $12 billion is expended for activities and for services by the students and their families that simply do not show up on the full pie chart.

Imagine, for example, that the student is living off campus and is receiving Federal aid, using those dollars to pay for a room at Mrs. McGillicuddy's boardinghouse. Those dollars would not appear on the solid pie chart because they will never be entered into the institution's accounting system.

Attached to the testimony, as I mentioned, are similar pie charts for public and for private institutions. The big change there, as you well recognize, is for the public institutions. State and local government provide about half of the support to those institutions.

For private colleges and universities, tuition and fees are the largest single source of revenue, accounting for somewhat over one-third of the total revenues to private institutions.

The second chart takes the point of the view of the Federal Government and demonstrates how the dollars which the Federal Government provides for the postsecondary sector break out in terms of three categories—research dollars, institutional and program support and student aid—and how these have changed over time.

I think this shows dramatically the work of the Congress and the commitments of the Congress as they have grown over the last decade to student aid.

Student aid is clearly the largest factor. The growth has been astonishing, a 38-fold increase between 1964-65 and 1979. This represents an average compounded increase of 30 percent per year. Research and institutional support have increased over that period of time on a fairly uniform basis with a few lean years and a few large increases, but on average about 8 or 9 percent during those years.

This then gives us a sense of the role that the Federal Government plays in postsecondary education. The Federal Government accounts for a very substantial chunk of the income. From one point of view the Federal Government has become exceptionally critical, that is, from the point of view of the students.

The amount of money that is going to students has just increased so dramatically that it represents a substantial change in the Federal relationship with postsecondary education over the last decade.

Chart 3 shifts to the question of what this system looks like financially from the point of view of the family and the students who have to, in fact, pay the bill at some point.

First of all, I think it would be helpful to take a look at what the actual charges are. What are the bills being faced by parents and families out there today?

These are estimates for this school year. They are averages and so they obviously exclude extremes.

The chart shows that on the average, at a public institution a student will have to come up with about $2,800 a year to attend. That $2,800 will cover, as indicated, tuition, fees, room and board, and other incidental charges.

At the average private institution costs are greater; about $4,400 a year, and at the 2-year public it's about $2,400. On the bottom line of that chart I have indicated the percentage of the total enrollment that is in the sector indicated by the bar. For example, the $2,800 required for the student to attend the average public institution is paid by about 77 percent of all students.

Over three-quarters of the students are facing average charges of $2,800 or so. Only about a quarter—actually less than a quarter of the students—attend private institutions in this country at this time, and face average cost of about $4,400.

The relative number of students enrolled in the private sector has been steadily declining over the past decade: the percentage was larger 10 years ago than it is today.

It is interesting to note that of the three-quarters of the students who attend public institutions, about one-quarter of them attend 2-year institutions and about half attend public 4-year institutions. There they face charges respectively of $2,400 at the 2-year institution on average, and $3,000 at the public 4-year institution.

It is also useful to take a look at the question of the very high cost privates. There is a lot of talk about tuition approaching $4,000, $5,000, or $6,000 a year. The chart shows the average costs of institutions which ranged around $7,000 for total student charges in 1978.

Only some 3 percent of the total student population actually attends the very high cost private institution.

Now, that says two things: First, only 3 percent of the kids have to come up with that much money, or, only 3 percent can attend those kinds of institutions.

Mr. FORD. If that is true, why can't you come up with a magic answer to half-cost for us?

Mr. O'KEEFE. We will come up with a magic answer to half-cost for you. I have no guarantee you will like it. But we will come up with an answer to it.

I have also shown here what these charges were back in 1968. It is instructive to see the rate of increase in these charges over the decade.

The average public charges have gone up on an average each year about 10 percent. At the 2-year public they have gone up about 12 percent. That represents a small artifice because the community colleges generally charge relatively low tuitions and so any increase in their tuition represents a large percentage increase, but in terms of actual dollars it remains small.

In the 4-year publics, the average rate of increase is also 10 percent, exactly the same in rounding it off as the average public since there are relatively few dollars involved in the 2-year increase.

The privates, interestingly enough, have only gone up about 7 percent on an average over that same period of time. And, similarly, it's about the same figure at the high-cost private.

That again is a bit of artifice of the system. Since the number of students has declined, that sector has been shrinking. Those institutions have been more and more deriving support from their endowment funds and from other sources.

On the next chart, which is the second to the last chart I have for you today, I have plotted the average student charges, the same things that I just showed you on that bar chart over time, and how these have changed over time. I have also displayed the Federal context, the average fraction of those charges that are met by student aid or student support from the Federal Government.

In 1964 those average charges were about $1,260, and are now up to about $2,590 or so. In 1964 the Federal Government's share was about 2 percent of student charges. This includes veterans' benefits at that time, which was the sole Federal student aid program.

Today the Federal Government is covering some 15 percent of those student charges of the average student charge.

This chart dramatically illustrates the impact of Federal aid and the tremendous growth in student assistance we saw on one of the earlier charts.

If we take a look at the dollars in constant terms—that is, if we take inflation into account—average student charges, as they have been faced by the student and family, have increased at the rate of only one-half of 1 percent a year.

After Federal assistance is taken into account, the average charges faced by students and families have actually declined in constant dollars by about 12 percent between 1964 and 1978.

From the point of view of the family and taking inflation into account, the cost has declined.

There is one factor that is not taken into account, that is, that with inflating income, our progressive tax system increases one's income tax. The relative amount of dollars available after Federal income tax and State and local taxes may, in fact, be eating into this "savings."

But just looking at student charges, there has actually been a relative decline in student charges that parents and families have faced.

As the final part of this summary, Mr. Chairman, I would like to present some aggregate information on how the expenses that the family has to face are in fact met. The figures in this chart are aggregate figures and they are to be considered as rough. It is difficult to get data of this sort. This is for last year but I think it is useful to give the size and texture of the total system.

In the aggregate, total assistance to students in 1977-78, was on the order of about $28 billion. By total assistance I mean all of the dollars that are used by the students to pay those tuition and fee bills we saw in the two earlier charts.

We estimate—based upon a methodology, not an estimate based upon the actual data—that of the $28 billion, the total parental contribution is on the order of about half of that—$14 billion.

Basic grants come in with an amount of about $2.6 billion for that year. We estimate that other grants, which include the Federal grant programs, the campus based programs, the State grant programs and institutional grants as well as social security and veterans benefits, aggregated in that year to about $6.25 billion.

College work-study, when you take into account the institutional match on the Federal dollars, came to approximately half a billion in that same year.

If you take the total charges faced by students that year—$28 plus billion—and you subtract the other figures, we are left with what we can call a "remaining need" of about $5 billion.

That remaining need is obviously met, that is to say, students go to college and they pay the bills. What is the source of meeting that remaining need?

It's a whole variety of things: The parental contribution only assumes a small work contribution by the student himself and a lot of students work more than that. There are the Federal loan programs; there are institutional loan programs, and other loan programs that also are assisting in meeting that additional $5 billion that has to go into the system.

Finally, a lot of families probably contribute more than this methodology assumes they would contribute to their children's education.

Of the total bill that parents and students have to pay, there is a good chunk of it—more than a third and possibly up to a half—that comes from somewhere else, that is to say, that parents themselves do not have to contribute.

Over time, it has been these other grants, basic grants, and college work-study that have grown so dramatically and have led to the relative decrease in what parents must come up with to send their children to school.

I would like to add to the testimony a footnote. In the testimony there is a chart which attempts to lay this out by income and to show how under the current system, for different income levels, the various elements of family contribution, basic grants, other grant income, work-study, fit together. This is chart 10 in the testimony.

These are very rough estimates and I want to warn you of it.

The methods we used to generate these figure averages are based on last year. That means that they do not take into account the impact of the Middle Income Student Assistance Act which just began this past November.

So these figures and the chart do not show the effect of your work last year simply because we don't yet have the data.

It is likely that these averages are going to be different when we get data from this year and when they are updated.

To summarize, what I have given you is information on the aggregate finances of postsecondary education.

This is an enterprise which costs this Nation about $43 billion a year in which we educate some 11 or 12 million people. In total the Federal Government annually contributes approximately $12 billion or 28 percent of the total cost of this effort.

From the point of view of the student, the consumer of postsecondary education, average costs right now are about $2,800 per public institution, about $4,400 for private institutions, and for those students the Federal Government has become an enormously critical partner.

In 1964 the Federal programs assisted in meeting about 2 percent of those costs that the students faced. That has now increased to about 15 percent. We remain a junior partner in the support of postsecondary education in the aggregate, but we remain a very, very important partner with the parents and the students.

Thank you, Mr. Chairman.

Mr. **Ford**. Under your last chart there in the other grants portion, $6.25 billion, you include veterans benefits and social security. By action already taken by the Congress plus the passage of time, that veterans figure is going to fade pretty quick.

Mr. **O'Keefe**. That's right.

Mr. **Ford**. By action recommended by the administration, the social security portion would come off the chart. What happens when those two things happen?

Mr. **O'Keefe**. I don't know off the top of my head.

Mr. **Ford**. Do you know what amount of that $6.2 billion is attributable to veterans and what is attributable to social security?

Mr. **O'Keefe**. I don't have that handy. I will be happy to provide that for you.

Mr. **Ford**. That staff is guessing at $3 billion for veterans and about $1½ billion for social security.

Mr. **O'Keefe**. I think that is high. I don't have the figures. That seems high to me, but I would have to provide that for you.

Mr. **Ford**. I wonder, I am sure somebody over there has them. Check with HEW and tell us how much.

Mr. **Martin**. Veterans is about $2 billion and social security is about $1.6 billion.

Mr. **Ford**. So roughly half of that is going to disappear or is targeted to disappear. I have some doubts about whether the social security part is going to disappear. But I was surprised the other day to find that the Ways and Means Committee is seriously considering the legislation and wants us now to justify why it is still needed.

I have a letter from the chairman of the subcommittee, Sam Gibbons, who used to be a member of this committee, literally saying the administration has made the case to wipe this out. Tell us why this should not be done. We are going to reach out to the community and see if we can find out.

The question that that raises with us is this whole question of where this money gets spent. I notice you stated as a footnote to an earlier chart that it's very hard to get hold of where the dollars really go when you start thinking of off-campus living expenses, for example. When one looks at something like either the Veterans payments, which is really a much different system than the old GI bill because it does not go to the institution, it goes to the student as a subsistence payment, or social security, which goes to a family generally as a part of the package of subsistence for the family, it is not likely that a very heavy percentage of that social security money actually ends up at the educational institution.

Mr. **O'Keefe**. That's right.

Mr. **Ford**. It usually is sucked up in the family for some kind of family support.

Mr. O'**Keefe**. It's also sometimes true of the basic grant program. For the student attending a low-cost institution who is living at home, a good deal of the grant is based upon a need estimated for living expenses and other incidental expenses of $1,500. Those dollars are, in effect, either substituting for or going for payment for living expenses that remain the same as they were when the student was in high school. He is still living at home and so, in effect, some of those dollars in our own direct aid programs are going for similar kinds of purposes as the social security and veterans' benefits might be.

Mr. **Ford**. Which we rationalize in part as the price that the student pays for the family support, for not going out and getting a job, but going off to college instead.

Mr. O'**Keefe**. That's right.

Mr. **Ford**. Both in the case of social security as well as the basic grant program, that is the main reason why they were not related to actual student costs as such or institutional costs, because if you are going to do very much for students from low-income families you have got to find a reasonable way that they can meet their obligations to the family as a potential wage earner and contributor while still going to school.

Mr. Tauke?

Mr. **Tauke**. Thank you, Mr. Chairman.

First of all I have kind of a business question.

What is HEW's timetable for presenting proposals for reauthorization for each of the titles of this act to the committee?

Mr. O'**Keefe**. Mr. Tauke, we are working at that at the present time very eagerly and aggressively and we hope to have proposals to you as soon as we possibly can.

Mr. **Tauke**. Could you be a bit more specific?

Mr. O'**Keefe**. I thought you would ask that followup question.

Mr. **Tauke**. Maybe we should start this way: Do you think we will get them this year?

Mr. O'**Keefe**. Yes; I think you will get them this year.

Mr. **Tauke**. In the first half of this year?

Mr. **Ford**. Are they going to be bigger than a breadbox?

Mr. O'**Keefe**. They will be about like this and this deep. We are hard at work on this.

Chairman Ford remarked earlier about the clearance and layers within the executive branch. We at HEW do not have total control of the timetable that we can set for ourselves because of our engagement with the Office of the President and with the Office of Management and Budget. As we engage in discussions with them it may take longer, it may take shorter, depending upon the nature of our proposals.

So I find it very difficult to give you an explicit answer to that. Our efforts are to make these decisions over at HEW within the next several weeks, to start setting some very firm policies in terms of the Secretary's desires, and to begin the process of engaging in discussions with staff over at the White House.

Beyond that, I do not want to predict because I am simply not in control of the timing. If I gave you some kind of a statement commitment I would not really be able to keep it.

We are working at it rapidly; we are dealing with the other staff within the executive branch, and we will have something to you as soon as we possibly can.

Mr. TAUKE. Do you know if the whole package will come at once or is there any chance you will begin to submit it piecemeal?

Mr. O'KEEFE. Our current plans are to prepare and submit the entire package.

Mr. TAUKE. It probably does not do a great deal of good to state the obvious, but, as I think you know, the chairman and the members of the subcommittee hope to have completed most of the work on this measure by summer. Obviously, if the recommendations come in the fall or sometime subsequent to the completion of the work of this subcommittee, they would not have the impact, at least in our deliberations. We would not have the benefit from them that we otherwise would.

Mr. FORD. If the gentleman will yield, we have a fall-back position on the committee. If they cannot get them cleared in time, we will ask the Student Lobby to give us copies of the internal memos from the Office of Education and we will consider them bootleg fashion.

Mr. TAUKE. That would be the piecemeal approach.

The information that you present this morning is again very helpful. I suppose it raises a bit of a basic question about who should be paying for the cost of education.

Do you think it ought to be the parent, the student, or the Government? Could you give me some feeling of what you think our policy should be in that regard?

Mr. O'KEEFE. I will give you my personal views on that.

It seems to me it should be a combination of the above. I think we have a system that has a reasonable balance of who it is who pays for postsecondary education.

I feel very strongly that parents ought to continue their role in that. I personally do not feel that programs that would shift the entire burden of financing postsecondary education to the student or to Government are appropriate.

At the same time, I think there are dangers in a system in which a larger portion of that bill is being met by financial assistance coming from outside the transaction between the institution and the students. We face the danger that the institution will be tempted to increase costs at a rate greater than one might want or greater than might be absolutely necessary, simply because the student would not see the effects of that and would not, as a consumer, respond to those increases.

I think we have a system now in which there are many partners in financing postsecondary education and, in my view, that multiple partnership is a healthy situation.

I think it would be unhealthy for the Federal Government to vastly expand the amounts of assistance it provides simply because then I think we—you and the executive branch—would be terribly tempted to get into the question of trying to control pricing in that sector.

I think it's very analogous to the situation we have gotten into with some of our health programs.

Mr. TAUKE. You are getting at what I was.

It seems to me one of the problems we have in our health institutions is the people who are paying the bill right now are third party people. The patients don't necessarily know what the bill is. Consequently, you remove consumer pressure to hold down the prices.

If I am reading the charts accurately, increasingly the bill is not being paid by the consumer, in other words, the parent and/or the student. Increasingly, it is being paid by outside contributors, the State government, local government, and Federal Government.

Mr. O'KEEFE. We have a system of public higher education in this country which was initially posited on the notion of access to low cost, relatively low cost higher education.

That has not changed over time, and the public, the State, and local contribution of about half of the total costs for public institutions in this country has not fluctuated a great deal over time.

At the same time, the amount that the Federal Government is picking up of the family's costs, costs the family must actually meet in some fashion has, as I said, grown from about from 2 to 15 percent. It's a judgment as to whether the 15 percent is a large amount and is or is not removing the incentive for the consumer to be sensitive to the prices.

I don't tend to think it is.

Mr. FORD. Would you yield there?

Mr. TAUKE. Yes, Mr. Chairman.

Mr. FORD. When you look at your chart 7 you indicated that the high cost private had an average annual increase in the last 10 years of 7 percent, for your public 10 percent, 2-year public 12, and average public 10.

Actually, when you look at that against almost any other institution, particularly hospitals during the same period of time, there is really no comparison. So one asks why?

Although I am worried about what happened since the Middle Income Student Assistance Act, one might draw the conclusion there that the higher the tuition the greater the incentive to hold down costs.

Now, you must recognize that that 10-year period started right at the height of the postwar baby boom when it was a seller's market. Any school in the country had more students than it could accommodate, and so there was not really during the early part of this period very much incentive for them to live in great austerity.

At the end of that period, however, everybody is very much conscious of the fact that competition between institutions for students is going to be increasing, and that is going to be particularly true in the high cost institutions.

For example, they may find they have to go out and recruit students and there is some evidence they are spending a good deal of money doing that. Hospitals have got the kind of guarantee that schools had 10 years ago of a supply since people don't really have a chance to shop for the hospital they are going to or make much of a choice. But in schools, in virtually every State in the country, there is a real wide variety of options available to students to exercise if they have some money in their pockets.

And they do remain, so long as that tuition and parental involvement stays as high as it does, as conscientious consumers, so maybe that is kind of a protection that we have.

But that is not to say I am not concerned: We have to watch very closely because I have been told that State legislative committees and State departments of education are even now devising methodology to capture these new Federal dollars by reducing the amount of State support.

I heard actually specific figures for one State over the weekend that were rather startling, where it really indicates that they just figure that everything we added last year in Federal aid should be reduced from State expenditures. If that sort of thing takes off, we are just spinning our wheels.

What we have got is a new revenue-sharing program here that lets local politicians take Federal dollars to replace their efforts. The public, 2-year schools get caught in that squeeze because that is the only place where local taxpayers, so far as I know, are paying for the system with property taxes primarily.

That brings us to how we do something short of the administration's proposal with hospitals in cost containment.

If we slap some kind of a lid on them now, we would not be rewarding the schools that tried hardest and would probably not be doing much to affect the ones that had let their costs escalate.

On the other hand, there is going to be a temptation as student populations drop to make up the difference by increasing tuition.

My strong objection to Mr. Silber's liberal loan program is that I am fearful that in a very short time we would shift all this burden to the student. We would have everybody with a tremendous debt getting out of school, and both the institution and governmental agencies might tend to say, "well, the students can borrow an unlimited amount of money; let them pay for it." There is a delicate balance now in the total system between government or nongovernment institutional assistance, self-help and the student's own payments, and family support.

It has not occurred by reason of anybody's design, but there has been kind of a clear understanding that when you get one of these three factors too far out of balance the consumers in this community will complain. Then the agencies react accordingly. If you start running tuition up too much you will hear about it.

It's not possible, for example, for State Legislatures to kick up tuition any time it looks like there would be an easy way to pay for it, because public reaction to increasing public tuition in public schools acts as a brake against it. It's viewed by citizens as another form of taxation and nobody likes politicans who vote to increase their taxes.

But we have really a system here that has all kinds of reasons to have really inflated that during this 10-year period. It's working much better than anything in the free enterprise system in controlling itself.

I don't know what the factors are that are responsible for this, but we ought to be considering what the factors have been that are not going to be there in the next decade, like large student enrollments and certain kinds of enrollments like Vietnam veterans.

What happens to this system that seems to be working well in terms of economic measurements, when you have the kind of dislocation of these student populations, is something we have to look forward to to try to anticipate what these programs will be doing in 5 years.

Mr. TAUKE. Of course, this gives us some opportunity for planning, and I guess this is why I raise the question.

One of the things that has happened in our own State is just precisely what you mentioned—that, because the legislators are concerned about public reaction to tuition costs, they are not upping tuition rates. In fact, I believe since the time I left the University of Iowa that the tuition increases have gone up about 10 percent. The costs have probably increased between 40 and 50 percent.

What is happening, I fear, is that the average citizen perhaps is not aware of the increased costs of higher education. As a result, I am concerned that the pressure may not be here to hold them down. Then, of course, in addition to that, we are experiencing enrollment declines in our own State. In the private sector where the enrollments are declining, the private tuition costs are really beginning to increase rapidly.

That probably is not reflected in the 10-year outlook. I suspect that when the enrollments begin to decline in the public institutions that the costs per student will go up very rapidly as they are now doing at the elementary and secondary levels.

Not to carry the parallel between hospitals and educational institutions too far, but in a sense they are going to be facing the same problems.

Right now hospitals are overbuilt around the country. Since we are overbuilt, we are not using the full capacity, and, in a few years, our institutions of higher education will be overbuilt. So we will not be using the full capacity. That is when the cost squeeze will really come. Which, I guess, brings me to my next question, and that is we have been emphasizing student aid which I tend to personally favor. But it is not much of a tool for management or planning in the area of higher education.

I am not certain it's the role of the Federal Government to do so much planning, but, as we look at what has happened to school systems at the local level and the elementary and secondary levels because of declining enrollments, one wonders if we should not have some kind of planning for this same kind of problem at the postsecondary level.

In view of that, should we perhaps consider shifting some of the emphasis from student assistance to institutional aid in order to permit the Federal Government to play a more significant role in making certain that we have some kind of reasonable transition from a period of full enrollment to a period of declining enrollment?

Mr. O'KEEFE. I think that is a very complex policy question. I am not clear on what specific policy actions the Federal Government would want to influence one way or the other in the institutional sector of postsecondary education.

What would be our objective? I can imagine some objectives, for example, if I were a State level planner for postsecondary education.

I think what I would be concerned with today is the question of where my population will be, of where demand for postsecondary education is declining, and where I have excess capacity either because of the juxtaposition of public and private institutions in a given geographical area or because we simply overbuilt our community college sector, let's say, over the past decade and a half.

I would be looking to make decisions based on a criterion that would say that I want to do is assure that in all of the regions of my State. There is available, if possible, a non-residential postsecondary facility to which a person can go, on the assumption that the lowest income, poorest student should have some access to some kind of postsecondary education, some entry point.

I cannot imagine the Federal Government, quite honestly, getting into that kind of planning. I think it would be intrusive, first of all, and I think the institutions and States would resist it very strongly.

So I have trouble with your question because I don't see the specific policy actions you are implying that the Federal Government might take.

Mr. TAUKE. Perhaps it is not that the Federal Government ought to get into the business of telling institutions specifically that you can continue or you should not continue or you should build or you should cut back. But it does seem to me in a sense we are exacerbating the problem. First of all, we use developmental aid to developing institutions in order to prop up institutions that ought not continue when you look into the future.

Second, we are permitting institutions to go out and recruit students in order to gain Federal dollars to keep them going when the demand probably is not there. And it seems to me that, while I recognize all of the problems you outline, and philosophically probably agree with you on that position, in a sense we are wasting dollars now, or we are putting dollars in a position where they are going to keep open institutions that probably should close, and we are going to face a problem in the years ahead where with a little planning now could be avoided.

In a sense we are permitting institutions and States to get away without planning. Maybe that is more an observation than a question.

Mr. FORD. Let me see if I can add anything to that.

I was just thinking about, over the last decade and a half, the ways in which student aid has been formed by some policy considerations beyond simply equal access. To go back to the student loan provisions of the National Defense Education Act, there was a response by the Congress to the tremendous shortage of schoolteachers in the country with a rapidly growing elementary and secondary population out there.

So as a matter of policy we decided to say that if you would go into teaching you could have your loan forgiven, and I think it was at the rate of 20 percent a year over 5 years. That had as its purpose encouraging individuals to opt for that kind of a career.

It worked so well we now have a beautiful surplus and, moreover, we had tremendous growth of teachers colleges. In my State they are trying to figure out what to do because there just is not a market for the programs that have been developed anywhere close to the size of them.

Now, in the meantime, very recently we responded to what this committee back in 1976 said was happening in education when other people still didn't want to talk about it.

We said we are going to run out of kids of the traditional age, but at the same time we see the phenomena of the nontraditional student growing. The opening paragraph Mr. O'Hara wrote in the committee report with the 1976 amendments from this committee started out by citing census data indicating that we had passed the stage of 50-50 and were probably then contemplating a student body that had more nontraditional age students in it than the traditional age students for the first time.

The 2-year publics have recognized this for some time and geared a great deal of their growth to nontraditional students.

When we acted last year on the independent student, we were again reacting to this change in population because the figures show we are going to have more and more independent students attending schools and more and more programs designed to meet the needs of the independent student returning to school looking for an educational opportunity.

Only very recently the Office of Management and Budget quite suddenly woke up and discovered what we started in motion with that independent student change last year.

It is going to be more expensive, but it becomes expensive sort of after the fact. The money that is generated by something like the independent student provisions is generated if, in fact, that student population shows up and applies for grants.

So, really over the last decade and a half, while all of this legislation has been developed, there has been very little planning as such. We have sort of sat here and watched curves go up on graphs, and tried to figure out how we can intercept that curve at some stage with some action on our part.

Really, Federal aid in the area of student assistance, once we went into the area of concentrating on student aid instead of institutional aid, has gotten away from a very deep concern that people had that Federal aid meant Federal control.

The easiest way to put a lot of money into a complex system like this without getting more Federal control than anybody wants to live with is to stay away from dealing with the institutions.

One of the things we saw in Japan, after all of their protestation about how free their system of private education was, was the number of indirect ways in which they control education, even in the private sector, from a central national education office.

We really have avoided this. The Morrill Act was a straightforward attempt to get everybody to follow a particular pattern. That was educational planning. That changed the whole map of education in the country.

Not much of what we have done with these programs has had that kind of impact on education. You really have legislation that reacts to something that is happening in education not as a matter of Federal policy, but as a matter of changes that are taking place. We sort of react after the fact.

It would be nice if we could do some planning, but this committee would spend all of its time arguing between rural and urban people on what vocational education was supposed to be at the postsecondary level. Twenty years was spent in the fight between farmers and factory owners on what vocational education ought to be. Every time the Federal Government tries to get into forming the curriculum or the purpose of education, we have a real problem. I think one of the beauties of this complex system that has grown up over the years has been that, in spite of title IX problems and other things that irritate people out there, we really have devised a delivery system that keeps us out of the kind of academic decisions that other people should make, if anybody should make them. I am not at all sure that anybody at the State level, or even at the institutional level, ought to be able to decide for us what the educational objectives 10 years from now should be for the majority of the citizens.

Mr. TAUKE. I agree with that, except as we begin to play a bigger role in the financing of that system, whether it be through the student or through institutions, we may find ourselves financing an inefficient system where the costs are skyrocketing, and we are picking up the tab.

Mr. FORD. That is a deep concern. The chart shows that hasn't yet happened. In 10 years, it hasn't produced that, but you have to guess at what it will mean to withdraw a large number of students and withdraw substantial different parts of support. Will you see those costs start to run up, and you are only looking at student charges there. That doesn't really reflect what has happened to the cost of education during that period of time, as you indicated, because my suspicion is that in the public institutions the States have been swallowing a bigger and bigger portion of costs by holding down tuition. I see Tom Butts back there. In the medical school at Michigan what is the cost per student slot, per year, in terms of the appropriation to the school, Tom?

Mr. BUTTS. I am sorry, I don't know.

Mr. FORD. Someplace around $40,000, $45,000?

Mr. BUTTS. In that vicinity, I believe.

Mr. FORD. That is probably five times what it was 15 or 20 years ago, but the tuition is still held at around $10,000 for a medical student. I like to use that one when my medical doctor friends keep talking to me about socialized medicine and bad government getting into the medical profession, because they fail to realize how much it costs us in our State to produce them.

But I think it is an example of how the system has gradually absorbed more and more responsibility for the educational costs while trying to hold the student charges down.

That, I suppose, is consistent with the post-World War II idea that we could, in fact, have virtually a classless higher education system in this country which we didn't have before World War II.

Mr. O'KEEFE. Chart 4 shows the revenues to public postsecondary education, and I think supports two observations. One is that total revenues have been increasing fairly rapidly in the most recent past, and, second, the source of that support has come at the State and local level. The big increase has come in that State and local part, and States have, in fact, worked to keep tuition and fees down. Federal support has grown only modestly in the recent years, and the system has functioned the way that you allege in the past.

I would also make an observation on the question of aggregate planning and your very global considerations of the nature of the postsecondary system and the impact of the Federal Government. There is a much broader context in which those questions should be asked: what do youth in our society do once they are graduated from high school, and what experiences do they encounter in our society, and what kinds of opportunities are available for them?

Because of a relative surplus of youth, we all now facing a very high unemployment rate, particularly for lower income youth. We have done away with the mandatory draft. The military used to perform the function of training and providing a maturing environment for youngsters before they entered the work force in our society. If you are concerned that we may be creating a system [illegible] which students can be attracted—because of the financial aid from the Federal Government—more readily to going into postsecondary education, I ask what the alternative might be. You may need to balance those alternatives.

Can the postsecondary system, in fact, be acting as a reservoir into which youth—otherwise simply unemployed and unoccupied because of the lack of entry level jobs—can be absorbed and productively dealt with. The postsecondary system plays that kind of role in our society when you look at it in the context of job entry for youth and unemployment rates for different segments of youth, and when you look at the shift in the role that the military has played in our society, from what it did when it was a mandatory draft to what it does now.

So I think if you do want to engage in that kind of aggregate planning, you have to look well beyond just postsecondary education at the vocational programs, at the military, at the training programs that the Federal Government supports through CETA, as well as the employment system and how private enterprise can and cannot absorb younger people at a given time.

The whole system interacts. It is not a separate system if you take this planning view. For example, the 2-year institutions in our society are emerging into a fascinating and complex role. It is clear from the study of the development of young people that, in terms of the developmental needs young people have between the time they leave high school and the time they enter the mature labor force, they are in a period in which they need to try out different roles, in order to find themselves. They need to be given a set of virtues and qualities and experiences to prepare them for work in the adult world.

The military provided this to a certain segment of our population for many years. Two-year institutions are, in effect, providing new and exciting environment for this process. A student can go to many 2-year institutions and select a more academic curriculum, or a technical and more work oriented curriculum, or more job oriented, or a blend, and try out whether, in fact, they are ready for a 4-year academic career, or whether they are going to go toward a more job oriented, more direct training entry point.

Community colleges in this country are becoming one of the major providers of the training programs supported under CETA. They are becoming one of the major providers of adult education. They are becoming a place at which younger and older people in our society are able to go find themselves, trying out various role models without getting locked into a career pattern.

The system is a vital one and interacts in many ways. I suggest, as you look at those questions, which I think are appropriate although difficult to put together, that you look well beyond this legislation which is in the purview of this subcommittee and consider how youth interacts with those other segments of our society.

Mr. TAUKE. Your observations, I think, are excellent. The problem we face in Congress is that there is very little ability to coordinate two programs, much less an ability to coordinate more than that.

Mr. O'KEEFE. For some reason we mirror some of those problems in the executive branch.

Mr. TAUKE. That brings me to a more substantive question. Will the proposals from HEW that are coming forth include any plans for consolidating or coordinating Federal assistance programs that are not under the jurisdiction of the Office of Education, such as the Social Security benefits or VA educational benefits? Will there be any coordination or data collection?

Mr. O'KEEFE. We are looking at that. At the present time, I can't tell you, not because I am not at liberty to say if I knew, but I do not know for certain what we will propose in this area.

Dallas, for example, mentioned the seven Federal student aid loan programs that are now in existence. We are looking at the question of how those might be better coordinated so as to simplify the structure of programs that a student faces.

Mr. FORD. I might mention that we tried to legislate that kind of coordination maybe in the 1968 amendments, or 1972 amendments, and to the best of my knowledge the first meeting they had took place after we raised a lot of cain about the veterans' regulations about a year and a half ago. Mary Berry didn't have anything to do one day and dusted off the books and decided to do what none of her predecessors had done for a year.

We asked her to bring all these agencies into an education committee in a voluntary way, an ad hoc committee, and start to try to rationalize their education policies. It was ignored so far as I know until very recently, and the Assistant Secretary for Education has been holding some meetings, I guess, in the last year and a half or so.

They didn't even talk to each other before. The person making a determination, for example, as to what a full-time student is in the Veterans' Administration and a person making that determination in HEW, unless they ran into each other at a cocktail party, never talked to each other. So there was no process.

So we created this committee as a vehicle whereby they could discuss this and try to get together. Maybe it was the personalities over there, but it just never got off the ground.

Mr. O'KEEFE. The other mechanism that you have created in the Elementary and Secondary Education Act last year, which will help once it is functioning, is the Federal Education Data Acquisition Council, an interagency and public membership council to look at the data collection activities that impact on educational institutions from the entire Federal Government.

It is a gargantuan task, but we are aggressively pursuing implementing those mandates, and I think once it begins to function, it will start to raise many of these issues of coordination, duplication and mismatches. It provides the mechanism and authority to coordinate.

There is a problem with coordination. Voluntary coordination among different institutions, doesn't work because there is no authority structure to come to force conclusions. I think the Congress has provided both the mechanism through the Federal Interagency Committee for the discussion and then through the FEDAC mechanism the ability for us to be able to do it. We are moving forward to implement those.

Mr. TAUKE. There are many more questions to be asked, but it appears as though pressing business will keep me from doing so. Thank you, Mr. Chairman, and Mr. O'Keefe.

Mr. FORD. Thank you, and thank you, Mike. We have a vote on the floor. The committee will recess until next Tuesday.

We do have next week some more analyses of this kind. I believe we are going on with the student aid processing, and then we have representatives of public and private institutions, as well as the State, to talk about this cost phenomenon from their point of view in general terms.

Mr. O'KEEFE. Thank you, Mr. Chairman.

[Whereupon, at 12:30 p.m., the subcommittee recessed, to reconvene Tuesday, May 8, 1979.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

Part 3—Student Financial Assistance

TUESDAY, MAY 8, 1979

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2257, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Murphy, Buchanan, and Tauke.

Staff present: Thomas Wolanin, staff director; Patricia Rissler, deputy staff director; William Clohan, minority assistant education counsel; and Jennifer Vance, minority legislative associate.

Mr. Ford. The Subcommittee on Postsecondary Education will come to order for the purpose of continuing hearings on the reauthorization of the Higher Education Act and related measures.

I will first apologize to the witnesses who have been waiting and apologize in advance, because we may have to leave you rather abruptly.

The full committee had not been scheduled for a meeting when we set the date for this hearing. They are now attempting to get a quorum downstairs and as soon as they get close enough to a quorum Mr. Buchanan, Mr. Murphy, and I become the critical Members so we will have to leave temporarily to give them a quorum so they can proceed with the committee's business.

Today we are going to continue our consideration of the student financial assistance programs authorized by title IV of the Higher Education Act. Last week, on Thursday, we began the hearings on title IV with testimony providing an overview of the student financial aid delivery system and a description of the aggregate Federal impact on the financing of postsecondary education.

Today we will continue our hearings on some of the general issues and topics that cut across all of the Federal student financial assistance programs. Our witnesses this morning will describe the theory and practice of needs analysis and the process for the alloation of the funds to states and individual campuses under the supplemental educational opportunity grant program, the college work-study program and the national direct student loan program.

The Federal student financial assistance programs make awards to students based on their financial need. A student's need is determined by subtracting from the cost of education, at the school the student chooses to attend, the amount that the student and his family can be expected to contribute in paying the cost.

Complex institutions, procedures, and forms have evolved to calculate the amount a student and his family can be expected to contribute. This needs analysis system is central in the determination of how the $4.7 billion in Federal student financial assistance programs in the Office of Education are allocated to individual students.

The subcommittee is pleased to have Ms. Diane Sedicum from the U.S. Office of Education and Ms. Constance White from Yale University as witnesses this morning, to describe the evolution and operations of needs analysis in the federal student financial assistance programs.

Without objection the prepared statements presented to the committee under the rules will be inserted in full at this point in the record.

[The statements of Diane Sedicum, Constance L. White, Thomas Butts, and Robert Holmes will be inserted at the end of the testimony.]

Mr. **Ford**. Ms. Sedicum, if you would like to proceed first, and then Constance White. You may comment on, add to, supplement, or highlight your prepared statement in any way that you feel would be most helpful.

STATEMENT OF DIANE SEDICUM, ACTING CHIEF OF THE BASIC GRANT BRANCH IN THE BUREAU OF STUDENT FINANCIAL ASSISTANCE, OFFICE OF EDUCATION, WASHINGTON, D.C.

Ms. **Sedicum**. I am happy to be here today to discuss the need analysis especially as it relates to the basic grant program.

Before I get into the details of the basic grant family contribution schedule, I would like to take just a moment to give your subcommittee an overview of need analysis in general.

First, the assumption underlying need analysis is that it is the parent's responsibility to pay for their child's education. Student financial aid is available only when the family cannot meet these costs.

Second, there are many ways of determining the amount of resources that a student and his or her family has available to meet educational costs.

Third, need analysis is not a science. There is no way to accurately measure a family's true ability to pay for education in any kind of formula based approach which projects financial strength. Therefore, the two major need analysis formulas currently in use—basic grants and the uniform methodology—provide a means for rank ordering students according to specific criteria.

Fourth, all need analysis formulas consider the same basic elements: Income, assets, family size, and expenses. While there are differences in both definition of items and treatment all work on the same basic principles. These principles are simply that some portion of the family's discretionary income and available assets should be used to finance the child's education and that students contribute a larger portion of their own resources than should be expected from parents.

Therefore, there are no right and wrong approaches involved in the various need analysis formulas—there are only different approaches to reach different objections.

Fifth, in distributing public funds, be they from Federal or State resources, there are also policy and budgetary considerations. These factors are often unstated but are critical in determining both the population to be served and the funding levels necessary to serve that population.

The change in the income assessment rates and treatment of independent students in basic grants, which were included in MISAA, reflect the importance of both policy and budgetary considerations in need analysis systems.

Finally, probably the most difficult dilemma in determining the family contribution is the question of whether it is better to use the most accurate or the most relevant data. For example, in determining a student's family contribution for the 1979-80 academic year, the most accurate data is 1978 actual income.

However, there is always the question as to whether that information is the most relevant given the fact that the contribution will actually come from the resources available to the family during 1979 and 1980 when the student is actually in school. This problem is continually raised and need analysis systems, including basic grants, must operate in such a way that the information used to determine family contribution is balanced between the need for accuracy and relevancy.

With that very broad and somewhat simplistic overview of need analysis generally, I would like to discuss the intitial development and subsequent evolution of the basic grant family contribution schedules.

During the congressional debates before the passage of the education amendments of 1972, the Congress considered having the family contribution schedules actually included in the law itself. At that time there were two major private needs analysis service, the College Scholarship Service and the American College Testing program.

However, ACT and CSS each has its own formula for deriving a family contribution and the Congress did not feel comfortable with endorsing one of the two agencies' approaches.

Mr. Ford. Excuse me. I am awfully sorry to do this but they need two people. We will stand in recess for just a moment.

[Whereupon, the subcommittee took a recess, and at 11:45 adjourned the meeting to attend to other matters.]

[Prepared statements submitted for the record follow:]

PREPARED TESTIMONY OF DIANE M. SEDICUM, BUREAU OF STUDENT FINANCIAL ASSISTANCE, OFFICE OF EDUCATION

Mr. Chairman:

It is a pleasure to be here today to discuss need analysis especially as it relates to the Basic Educational Opportunity Grant Program.

Before I get into the details of the Basic Grant Program, I'd like to take a little time to give your subcommittee an overview of need analysis in general.

First, the assumption underlying need analysis is that it is the parent's responsibility to pay for their child's education. Student financial aid is available only when the family cannot meet these costs. Therefore, need analysis is simply a means of determining the difference between cost of education and the amount of resources the student and his or her family have available to meet those costs. That difference is the student's need.

Second, there are many ways of determining the amount of resources that a student and his or her family has available to meet educational costs. This amount is most commonly called the family contribution and the ways that family contributions are derived is the focus of today's discussion.

Third, need analysis is not a science. There is no way to accurately measure a family's true ability to pay for education in any kind of formula based approach which projects financial strength. Therefore, the two major need analysis formulas currently in use -- Basic Grants and the Uniform Methodology -- provide a means for rank ordering students according to specific criteria.

Fourth, all need analysis formulas consider the same basic elements: income, assets, family size, and expenses. While there are differences in both definition of items and treatment, all work on the same basic principles. These principles are simply that some portion of the family's discretionary income and available assets should be used to finance the child's education and that students should contribute a larger portion of their own resources than should be expected from parents. Therefore, there are no right and wrong approaches involved in the various need analysis formulas -- there are only different approaches to reach different objectives.

Fifth, in distributing public funds, be they from Federal or State resources, there are also policy and budgetary considerations. These factors are often unstated but are critical in determining both the population to be served and the funding levels necessary to serve that population. The change in the income assessment rates and treatment of independent students in Basic Grants, which are included in MISAA, reflect the importance of both policy and budgetary considerations in need analysis systems.

Finally, probably the most difficult dilemma in determining the family contribution is the question of whether it is better to use the most accurate or the most relevant data. For example, in determining a student's family contribution for the 1979-80 academic year, the most accurate data is 1978 actual income. However, there is always the question as to whether that information is the most relevant given the fact that the contribution will actually come from the resources available to the family during 1979 and 1980 when the student is actually in school. This problem is continually raised and need analysis systems, including Basic Grants, must operate in such a way that the information used to determine family contribution is balanced between the need for accuracy and relevancy.

With that very broad and somewhat simplistic overview of need analysis generally, I'd like to discuss the initial development and subsequent evolution of the Basic Grant Family Contribution Schedules.

During the Congressional debates before the passage of the Education Amendments of 1972, the Congress considered having the Family Contribution Schedules actually included in the law itself. At that time there were two major private needs analysis services, the College Scholarship Service (CSS) and the American College Testing Program (ACT). However, ACT and CSS each had its own formula for deriving a family contribution and the Congress did not feel confortable with "endorsing" one of the two agencies' approach. Therefore, the compromise achieved in the law required the Office of Education to develop the Basic Grant Family Contribution Schedules and submit them to Congress each year for review.

In developing that first Family Contribution Schedule we obviously adopted the overall approach of the existing need analysis formulae and even some of the specific elements. For example, we included an employment expense offset against income in those cases where both parents worked or there was a single head of household. We did not, however, adopt either of the services' family contribution formulae. In that first year, the policy and budgetary considerations were very significant and many decisions on various aspects of the formula were based on the defined population to be served and projections of budgetary impact of various alternative treatments.

In addition, we made every attempt to keep the Basic Grant formula as simple as possible so students and parents could easily understand how the family contribution was calculated. By keeping the simple, formula we also succedded in removing the almost mystical aura of need analysis. While students and parents might have strong objections to why the formula operates the way it does, at least they can easily understand how it works.

Basically, the family contribution derived under the Basic Grant formula has three components -- the contribution from parental income, the contribution from parental assets, and the contribution from the student's own resources. In determining the contribution from parental income the formula considers total income (both taxable and non-taxable) and deducts from that Federal income tax paid and a series of allowances to cover the family's living costs and unusual expenses they might have. Some portion of the remainder is then determined to be available to pay for a child's education and becomes the parental contribution from income.

The contribution from parental assets is derived in a similar manner. We take the total value of the parents assets, deduct from that the debts against those assets, protect a portion of the net value and assume that a portion of the remainder is available to help meet the child's educational costs. This becomes the contribution from parental assets.

Student's resources are treated somewhat differently. Since students are considered to be the primary beneficiary of their education, they are expected to devote a much higher portion of their resources toward their own educational costs. Therefore, we take the total amount of their resources and assume that one-third per year will be available for their education.

This model is, of course, that used for dependent students. There is a different one for independent students but it works in basically the same way.

Over the years, many changes have been made to specific parts of the formulae which have resulted in continued liberalizations.

For example, the treatment of assets has changed considerably. In 1973-74, the contribution from parental assets was derived in the following manner. We took the market value of all assets, deducted the debts against those assets, then deducted asset reserve or protection allowance of $7500 and assessed the remainder at 5 percent.

By 1979-80, the asset reserve had been increased to $25,000 for persons not reporting farm and/or business assets and $50,000 for those who do report farm and/or business assets.

Of course, the recent changes included in the Middle Income Student Assistance Act similarly reflect the expanded focus of the Basic Grant program. Prior to MISAA, we determined the amount of parental contribution from income by taking total family income and deducting Federal taxes paid and various allowances against that income to derive discretionary income. Discretionary income was then assessed at 20 percent of the first $5,000 and 30 percent of any amount over $5,000.

With MISAA, there is now a single assessment rate of 10.5 percent applied to parental discretionary income.

There have been many other revisions to the Family Contribution Schedules since 1973-74 ranging from the annual automatic increases in the level of the family size offsets to reflect the consumer price index to the major changes in treatment of income and assets which I have already discussed.

In summary, almost every aspect of the Basic Grant Family Contribution Schedules has changed in some way over the years primarily for two reasons -- to make refinements in the formula to increase relevancy and equity or to reflect a concern on the part of the Administration and/or Congress to expand the population to be served through the Basic Grant program.

For your information, I have made available copies of a booklet we publish every year to explain to students and parents how their family contribution is calculated. The booklet you have is for the 1978-79 academic year because the booklet for 1979-80 is not yet available. However, I have also provided separate calculation sheets which explain the 1979-80 formula with the changes in effect for that year.

I would be pleased to answer any questions you may have.

Prepared Testimony of Robert B. Holmes, University of Michigan, Ann Arbor, Mich.

Good morning, Mr. Chairman and members of the Committee. I am pleased to have an opportunity to be here this morning.

My name is Robert B. Holmes and I am employed in financial aid research at The University of Michigan. I have had a long-standing interest in student financial aid, and I was employed as Director of Financial Aid at two universities in Chicago, each for four years, between 1966 and 1974. While I was in Chicago I became interested in the way that campus-based funds were assigned to institutions and the manner by which the statutory state allotment formulas rationed funds among states.

After moving to Michigan I had an opportunity to write a doctoral dissertation on the campus-based application process and the state allotment formulas at the Center for the Study of Higher Education at The University of Michigan. The work was done under the guidance of Professor Joseph P. Cosand, the former U.S. Deputy Commissioner of Higher Education.

While I was working on the dissertation, I also worked as a consultant to the HEW Student Financial Assistance Study Group which prepared and submitted a series of recommendations relating to financial aid to the Secretary of HEW in 1977. Several of the Study Group's key recommendations dealt with the campus-based application process and the state allotment formulas. As you have heard this morning, there have been a number of significant changes in the campus-based application process this year. Many of these changes grew out of Study Group recommendations.

A SUMMARY OF THE ISSUES

Although the new institutional application process has resolved some of the perennial problems identified by the Study Group, much remains to be done with the state allotment formulas. There are many issues relating to the formulas which are long-overdue for a critical review. Hence, it is good to know that a review of the state allotment formulas is a part of your reauthorization activities.

Among the issues that I encourage you to consider are the following:

---- The most basic question, and the one which you should answer first, is whether there is a need for state allotment formulas in the campus-based programs. As you know there is no state allotment formula for the Basic Educational Opportunity Grant (BEOG) program, and there is over twice as much money in the BEOG program as in the campus-based programs.

---- Secondly, if you believe that state allotment formulas are necessary in the campus-based programs, you will want to decide whether the formulas should conform with program coverage. In other words, should the formulas be based upon student enrollments? If you decide that this is an appropriate alternative, you will find that the present formulas leave a lot to be desired.

---- Thirdly, since students must qualify for the programs on the basis of financial need, and since the new institutional application process is based on relative need, you will wish to decide whether the formulas should contain some measurement of the financial need which is present in each state.

---- And fourth, you could decide to leave the formulas as they are presently.

THE CAMPUS-BASED STATE ALLOTMENT FORMULAS

Having outlined some of the basic decisions which you will wish to address, we can turn to an examination of the present formulas and the problems with them. At the outset I should remind you that the National Direct Student Loan (NDSL) formula is the same as it was in 1958, the College-Work-Study (CWS) formula is the same as it was in 1964, and the Initial-Year Supplemental Educational Opportunity Grant (IY-SEOG) formula is very similar to what it was when the EOG program was initiated in 1965.

The National Direct Student Loan (NDSL) formula is as follows:

> Ninety percent of the NDSL funds are allotted to states and other eligible jurisdictions according to their proportionate share of the national full-time enrollment in postsecondary institutions.

The College Work-Study (CWS) funds are allotted as follows:

> The statute requires that portions of the CWS appropriation be reserved (1) in an amount not to exceed two percent of the total for schools in the jurisdictions of Guam, Puerto Rico, the Virgin Islands, and the Trust Territories and (2) an unspecified amount for students living in the latter jurisdictions attending schools outside of those areas. After these amounts are reserved, 90 percent of the remaining funds are allotted among the 50 states and the District of Columbia by a three-part formula which includes the following factors:
>
> (1) Each state's proportionate share of the national full-time enrollment in postsecondary institutions.
>
> (2) Each state's proportionate share of the number of high school graduates.

(3) Each state's proportionate share of related children living in families with annual incomes of under $3,000.

The Initial-Year Supplemental Educational Opportunity Grant (IY-SEOG) formula is as follows:

> Ninety percent of the IY-SEOG funds are allotted to states and other eligible jurisdictions according to their proportionate share of the national full-time equivalent enrollment in post-secondary institutions.

The Continuing-Year Supplemental Educational Opportunity Grant (CY-SEOG) Program does not have a state allotment formula. Funds are assigned to states based upon procedures established by the Commissioner of Education.

EXAMINATION OF ALTERNATIVES

State allocation formulas for each of the campus-based programs have been in existence since the inception of each of the programs. Although the emphasis of each of the programs has changed markedly since its inception, the state allotment formulas have been virtually untouched over the years. The formulas have, therefore, evolved into anachronisms which are out of step with the existing programs.

One of the purposes of state allotment formulas is to effect an equitable distribution of funds among the states based upon criteria relevant to the programs. The formulas for the campus-based programs, however, are not based upon relevant criteria and hence produce results which are inequitable. In some cases, the formulas do not produce equitable results since the purposes of the programs have changed since their inception; in other cases, the formulas were poorly conceived originally.

When legislation is first enacted, it is difficult to estimate the total eligibility and demand for program funds. However, even if these factors are known, it is difficult to find formulas which will be good predictors. Given these problems with the initial development of state formulas and given the changes which each of the campus-based programs has experienced since its inception, it is no wonder that the formulas are considered to be inadequate. As you know, once a formula has been established, it becomes a subject for negotiation, and developing an equitable overall approach is complicated by the question of "what does it mean for my state?" However, if changes are made in the state allotment formulas it would certainly seem advisable to move the current hold-harmless year from 1972 to 1980 in order to provide stability and to prevent major dislocations of funds. Thus, if the base year is moved forward, there need not be a problem with answering the question of "what does a change mean to my state?"

The alternatives which I will present to you are divided into two groups. The first set of alternatives are those which you may wish to consider during this reauthorization process. Here are some examples:

---- The EOG and SEOG programs have always been restricted to undergraduates, yet graduate students as well as undergraduates are included in the enrollment figures used to distribute the IY-SEOG funds. Graduate students comprised about 11 percent of the students in the enrollment figures which were used to determine the IY-SEOG state allotments for fiscal year 1979. The percentage of graduate students varied from less than 5 percent of the postsecondary enrollment in some states to over

34 percent in one jurisdiction. Therefore, the inclusion of ineligible students in the formula penalized some states while giving others an unfair advantage. Since the SEOG program has nothing to do with graduate students, it is odd that graduate students should be included in the IY-SEOG formula.

---- The NDSL program has been available for many years to students who are enrolled half-time or more. Thus, it is difficult to understand why the NDSL state allotment formula is only based on full-time students. The IY-SEOG formula is based on full-time equivalency(FTE) and there seems to be little reason why the NDSL formula should not have the same basis. Thus, while the IY-SEOG formula includes too many students (graduate students) the NDSL formula includes too few because students enrolling less than full-time are ignored by the formula.

---- The CWS formula has three parts and, in my opinion, is the most poorly focused of the campus-based formulas.

(a.) The CWS program has been available for many years to students who are enrolled half-time or more. As with the NDSL program, it is therefore difficult to understand why part of the CWS formula only includes full-time students, rather than full-time equivalent students.

(b.) One-third of the CWS formula is based on the number of high school graduates. The number of high school graduates is a highly questionable component of the CWS formula due to the changing focus of the program. When the College Work-Study program was initiated in

1964, it was seen as a major government program to promote access for low-income students. However, with the initiation of the Basic Grant program and its subsequent growth, the CWS program's traditional role of promoting access has been sharply reduced. However, even if its role in promoting access had not been reduced, it is questionable whether the potential population to be served (high school graduates) should be weighted as heavily as the number of students actually enrolled in postsecondary institutions. In addition, with growing numbers of "returning" students, the number of high school graduates is a less reliable predictor of postsecondary enrollment than in the past.

Basing part of the CWS allotment on the number of high school graduates does not take into account the varying rates of student migration into and out of states. For example, in 1968, New Jersey had a large net migration of high school graduates out of the state. At the other extreme, Vermont had a large net migration into the state. Thus, the high school graduate component of the CWS formula gives states such as New Jersey a relative advantage over states like Vermont. In other words, New Jersey receives CWS funds for students who enroll in other states.

(c.) The remaining one-third of the CWS formula is based on the number of children living in families with annual incomes of under $3,000. When the CWS program was first initiated, it was limited to students from poverty level families. However, the $3,000 cutoff point has not been updated since 1964, and the level of welfare benefits for families in many states is now well over $3,000. Furthermore, the CWS program is no longer limited to students from poverty level families, so even if this component of the CWS formula had been updated for cost-of-living changes, it would still have a questionable relationship to the current program.

Another problem with this part of the CWS formula is that the figures are updated only once every ten years when Census data become available. Thus, part of the CWS allocations is currently based on data from the 1970-Census.

The other alternative which you may wish to consider is a longer-range alternative which would include some measurement of relative state financial need in the state allotment formulas. Such an approach would be consistent with the manner by which funds are awarded to both students and to schools.

The present enrollment based formulas in the campus-based programs "get money to where the students are," but not necessarily to where the greatest need may be. For example, enrollment-based formulas assign funds to states without regard to the following:

(1) The enrollment mix at low-cost and high-cost institutions in a state (sometimes this is a public-private split, but not always).

(2) The level of direct state support for postsecondary institutions which is a determinant of tuition levels at public schools and, in some states, at private schools.

(3) The financial strength of students' families or of all families in the state.

Funds assigned to states on the basis of enrollment do not "reward" states which have small scholarship programs or states which have provided little direct support for public higher education with the result that tuition charges are above average. Similarly, states which have provided generous amounts of scholarships and/or direct support are not penalized by enrollment-based formulas. However, enrollment-based formulas ignore important differences between states that can affect financial need such as family income and differing costs based on the mix of students in various sectors of post-secondary education (community colleges, private colleges and universities, public four-year colleges and universities, proprietary schools, and all others).

It should be noted, however, that the introduction of formulas based on some measure of financial need could be an incentive for (1) schools to raise costs, (2) for states to lower direct support (letting costs rise), and for states and schools to lower their commitment to student aid. However, two of the possible factors in a need-based formula would not be subject to manipulation and would be desirable measures of state need: (1) family income characteristics of the state or of students' families and (2) the number of students enrolled in various sectors of postsecondary education.

As data on the new institutional application become available, it will be possible to simulate the results of having a need-based component in the campus-based programs.

In any case, however, the consideration of a need-based component may well be seen as a longer-range alternative. In the meantime you may wish to consider some of the more immediate problems with the existing formulas.

Thank you once again for the invitation to appear before you today. If you have any questions, we will be pleased to answer them.

Prepared Testimony of Thomas A. Butts, Bureau of Student Financial Assistance, Office of Education

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE:

I am pleased to appear before you today to describe the application process for campus-based funds, particularly the development and implementation of the 1979-80 procedures. As you know, three campus-based programs are administered by the Office of Education: The Supplemental Educational Opportunity Grant (SEOG), National Direct Student Loan (NDSL), and College Work-Study (CW-S) programs.

The new funding process represents a major overhaul of the procedures previously used to allocate Federal funds to institutions participating in one or more of the campus-based programs. At the same time the principle that funds should be awarded to institutions on the basis of relative need has been maintained. The process really reflects the interaction of two complementary activities. First, there is the overall means by which institutions apply for and are awarded funds. In addition, an institution's allocations are related to statutory state allotment formulas. With me today is Dr. Robert B. Holmes, a Senior Research Associate at the University of Michigan at Ann Arbor. Dr. Holme's doctoral dissertation concerned the state allotment formulas, and he is prepared to discuss this subject with you today.

My testimony will focus on why a new process was needed, how it came about and how we were able to change from an overly complex application procedure to one we believe is more reasonable and simplified. I will also report on the tentative results of the new procedures as well as where we are in terms of planning for the 1980-81 award year.

HISTORY OF THE FUNDING PROCESS

The campus-based funding process began in 1958 with student loans awarded under the National Defense Student Loan program. At that time, schools simply asked for funds and awards were made, by all accounts, on an informal basis. Over the years the NDSL program grew and two other campus-based programs, CW-S and SEOG, were established. Gradually, the process became more and more formalized to the point in 1973 where the application was 14 pages long and contained over 600 data items. Regional panels were responsible for reviewing institutional applications. Although uniform guidelines were provided, variations in procedures between regions resulted in some inequities.

In 1974 the General Accounting Office (GAO) concluded that the application process for campus-based funds was "subject to abuse" and was "apparently not equitable." According to the GAO report, the most serious weakness with the process was the fact that 90% of the sample institutions under review "inflated" their applications in order to qualify for higher funding levels. The GAO recommended that future funding levels be based primarily upon historical and auditable data.

In 1976, the Secretary of Health, Education and Welfare convened a Student Financial Aid Study Group for the purpose of suggesting improvements in the management and operation of Federal student aid programs. The Study Group held seven hearings around the country, received testimony, and made recommendations. Some of the problems it documented were:

- The application was difficult and too time consuming to complete, audit and evaluate.
- The application encouraged grantsmanship.
- The application was speculative, in that funding decisions were based on projected figures which were difficult to estimate and which could not be validated for at least two years.
- Institutions were reporting that they spent an inordinate amount of time gathering and verifying data.
- The processing workload of applications and appeals varied widely by regions, and this tended to foster inequities.

As a result, the study group recommended a number of changes in the process including:

- utilization of only verifiable data on the application. This implied that, to the extent possible, all application data should be actual -- not estimated or projected.

- the development of a single data collection document.

- full utilization of automatic data processing.

- establishment of uniform standards, techniques and procedures to be used in the funding process. Such standards should be consistently applied across institutions, states and regions.

- Having the appropriation process precede the institutional notification process. In this way, "actual" dollars rather than "recommended " dollars could be awarded.

In addition, the Study Group suggested that a working group be established to recommend, test and implement changes in the funding process.

COMMISSIONER BOYER APPOINTS A PANEL OF EXPERTS

Pursuant to that recommendation, in the summer of 1977, nine experts in student financial aid and related areas were appointed by the Commissioner of Education, Ernest L. Boyer, to review the campus-based funding process. These appointees, led by Dr. Robert Huff of Stanford University, have come to be known as the Panel of Experts. The composition of the panel reflects both the expertise within the financial aid community as well as the diversity of institutions which participate in student aid programs (see attachment 1 for panelist names and affiliations). The Panel was charged by the Commissioner to design a new process to deliver funds to institutions and to examine and suggest appropriate changes in the state allotment formulas. The Panel was convened in August of 1977 and is currently completing its work.

The Panel went about its work by first reviewing the earlier submitted criticisms of the process and for the most part, accepting them. It also established certain operating assumptions to guide its work. Among them were:

1. PHASE IN - Any new funding process must be phased in over a period of years to prevent sudden and precipitous dislocations of funds.

2. STREAMLINED PROCESS - The funding process must be sufficiently streamlined to permit the mailing of institutional award letters as early as possible but not later than January. This implies that the Panel Review process will no longer exist in its present form.

3. STANDARD MEASUREMENTS OF NEED - Data collected during the application process must allow a standard measurement of relative institutional financial need. The ability to make standard measurements implies that data must be actual (historical), verifiable, and auditable. Furthermore, the data must be compatible, to the extent possible, with other Federal requests.

4. USE OF THE DATA - (a) The data collected during the application process must be computerized, edited, and made available in a very short time frame for funding decisions. (b) The data must also be available for the development of a Nationwide Data Base which will allow the evaluation of future funding alternatives.

5. REDUCTION OF FORMS - The Fiscal Operations Report and the Tripartite Application must be combined to assure that data will be available on time and to eliminate present duplication in the forms. (FISAP Report)

6. TIMING - The appropriation process should precede the application process so that exact dollars available will be known at each step of the new funding process.

7. CHANGING THE STATE FORMULAE AND THE ASSIGNMENT OF THE TEN PERCENT FUNDS - The state allocation formulas and the present method of assigning the discretionary 10 percent funds are inequitable and should be changed. The changes are generally seen as long range changes, although some portion of the 10 percent funds might be used to assist institutions during the introduction of a new funding system.

8. DIFFERENTIATE GRANT AID FROM SELF-HELP The funding process should use a different conceptual framework for assigning SEOG funds than that used for assigning funds in the Self-Help programs of NDSL and CW-S. It is acknowledged that there is a great demand for grant assistance. It is difficult for very needy students to borrow enough or work enough to meet their educational costs, particularly at higher cost institutions.

9. PEER INVOLVEMENT (formerly the Panel Process) will be confined to an evaluative role of the Funding System and to the National Appeal Process.

The Office of Education and the Panel consulted within the community for suggestions and held four hearings during the first two weeks of July, 1978. With the assistance of OE staff, efforts were made to respond to the concerns expressed by the financial aid community. OE staff then went on to design a data base and supervise the development of the new system. On November 8, 1978, a Notice of Proposed Rule Making (NPRM) on procedures for awarding campus-based funds was published; hearings were conducted in late November and early December, 1978. The Panel met on December 18th to review the results of the hearings and to consider modifying definitions and formula elements as a result of the testimony and written comments. Several changes were made. The Panel met again on January 20th and expressed agreement with current formulas and the results they produced.

The combined effort of the Panel and OE, with the counsel of the community, has yielded encouraging results. We can report the following:

- The criticisms which focused on application complexity have been largely resolved. We now have one application and we have significantly reduced and simplified the number of data items.

- As a result of reducing application complexity (through combining the fiscal operations report with the application), two kinds of cost savings are expected. At the institutional level, we estimate that approximately 60 work hours have been saved from the 1973 long form for an overall aggregate saving of about 240,000 work hours per year. Projected Federal dollar savings resulting from the elimination of Regional Panels are expected to total $382,700.

- Funding is now based on actual, auditable data. We have removed the projected and inflated nature of the previous application process.

- We have achieved uniformity through the utilization of a formula for all institutions and through the elimination of regional panels.

- A data base has been created which can be enormously useful to us as we study, analyze and evaluate the administration of student aid programs. This data base, Mr. Chairman, will be available to this Subcommittee during the reauthorization.

Final funding awards are now being made and final regulations are about to be published as well. Although we are completing Phase I (the first year), we are preparing for the 1980-91 award year. We will convene a new community panel, issue a new NPRM for the 1980-81 award year, and hold hearings pursuant to the new proposed regulations.

HOW THE FUNDING PROCESS WORKS

In addition to the operating assumptions that were developed by the Panel of Experts, the 1979-80 funding process was based upon three overall principles:

1. The need to differentiate "gift aid" from "self-help." In developing two separate formulas, one for grant aid (SEOG) and one for self-help (NDSL and CW-S), a decision was made to apply a 70:30 ratio between gift and self-help. This ratio was based on a national survey which demonstrated that 2/3 to 3/4 of the total cost of education is met by a combination of gift aid and expected family contribution; about 30 percent of the total cost is met by self-help (work and loans).

2. Each institution should be assured a conditionally guaranteed level of funding. The Conditional Guarantee is determined as the greater of either the 1977-78 level of expenditure or the 1978-79 funding level multiplied by the 1977-78 percent of funds spent. Given a new funding process, it was decided that no institution should suffer any funding dislocations during this first year. Provision for a Conditional Guarantee met this goal.

3. The use of formulas to assign funds for 1979-80. The 70:30 ratio of grant aid to self help required the development of two formulas: one for the SEOG program and another for the self-help programs (NDSL and CWS).

As I just stated, the formulas are based on the results of a nationwide survey which demonstrated that 70% of undergraduate college costs were currently being met by scholarships, grants, and family contribution. Therefore, the formula to assign SEOG funds is determined by:

- calculation of 70% of costs faced by applicants;
- subtraction of known grant resources. These include Basic Educational Opportunity Grants (BEOG), State Scholarships and grants, 50% of institutional scholarships and grants, and expected family contributions.

A similar formula is used to determine a self-help Index. In this case the formula:

UNDERGRADUATES:
- calculates 30% of student costs;
- subtracts expected family contributions in excess of 70% of costs.

GRADUATE OR PROFESSIONAL STUDENTS:
- calculates 100% of student costs;
- subtracts expected family contributions;

Institutions were provided instructions and worksheets to aid them in submitting correct data so that the formulas could be accurately computed. Attached to my written testimony is a flow chart (attachment 2) which illustrates how the formula works.

Tentative funding recommendations were announced on February 16, 1979. Institutions dissatisfied with their recommended awards filed appeals before the National Appeals Panel during the week of March 12-16. Of the nearly 4,300 postsecondary institutions filing applications, less than 480 appeals were received as compared to last year's 670 Regional and National Appeals -- a reduction of about 30%.

The tentative funding levels shown in Attachment 3 describe how the funds were allocated among various types of institutions. Thanks to MISAA, all sectors of postsecondary institutions received increased funding. Analysis by sector reveals no appreciable changes in percentage allocations over last year.

The National Appeals Panel met during the week of March 12 in Washington. It was composed of twenty(20) financial aid officers, ten(10) OE officials from the Central Office and one(1) OE official from each of the ten regions.

Presently, we are completing the application and regulatory process affecting 1979-80. At the same time, we are looking to 1980-81 to address some of the following issues:

1. What should the conditional guarantee be, if any?
2. How can the Fiscal Operations section of the application be simplified further?
3. How can the application itself be improved, particularly for "clock hour" schools?
4. What procedures should be used for new schools?
5. What changes should be made in the formulas themselves.

As we address these questions, we plan to make data available to enable the public to see the effects of this year's process and to seek advice on future courses of action.

In closing, Mr. chairman, we believe that the new funds available in SEOG and CW-S, as a result of MISAA, greatly assisted the implementation of this new procedure.

During the reauthorization, we expect that you will want to review the institutional application procedures in concert with the statutory state allotment formulas which Dr. Holmes will now describe.

LIST OF ATTACHMENTS

1. List of Panel of Experts
2. Explanation of funding process and model.
3. 1979-80 Tentative Awards for Campus-Based funding by sector.

ATTACHMENT 1
PANEL OF EXPERTS

EXPERTS APPOINTED

Dr. Robert P. Huff, Leader, Director of Financial Aids, Stanford University, Stanford, California

Ms. Dorothy Cann, Director of Financial Aid, Apex Technical Schools, New York, New York

Mrs. Goldie W. Claiborne, Director, Office of Financial Aid, Howard University, Washington, D.C.

Mr. James G. Dwyer, Director of Financial Aid, Loyola University, Chicago, Illinois

Mr. Sumner B. Gambee, Associate Dean for Student Affairs, The California State University and Colleges, Long Beach, California

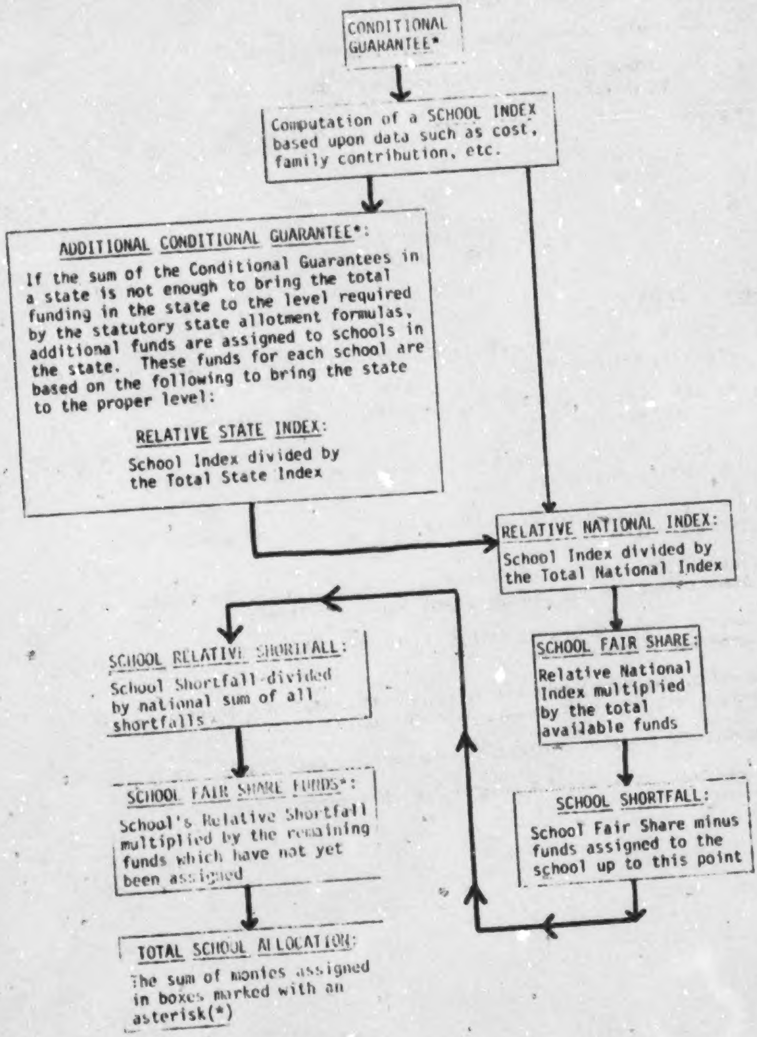
Mr. Jerrold Gibson, Director, Office of Fiscal Services, Harvard University, Cambridge, Massachusetts

Mr. David L. Hartshorn, Director of Student Financial Aid, Florida Junior College - Kent Campus, Jacksonville, Florida

Mr. Abraham H. Nechemie, Partner, Wiss & Company, East Orange, New Jersey

Mr. James Todd, Director of Financial Aid, University of Houston Houston, Texas

Attachment 2
Highlights of the Campus-Based Funding Process for Schools Wishing More Than Their Conditional Guarantee By Providing Fair Share Data


CONDITIONAL GUARANTEE*
Computation of a SCHOOL INDEX based upon data such as cost, family contribution, etc.
ADDITIONAL CONDITIONAL GUARANTEE*:
If the sum of the Conditional Guarantees in a state is not enough to bring the total funding in the state to the level required by the statutory state allotment formulas, additional funds are assigned to schools in the state. These funds for each school are based on the following to bring the state to the proper level:
RELATIVE STATE INDEX:
School Index divided by the Total State Index
RELATIVE NATIONAL INDEX:
School Index divided by the Total National Index
SCHOOL FAIR SHARE:
Relative National Index multiplied by the total available funds
SCHOOL SHORTFALL:
School Fair Share minus funds assigned to the school up to this point
SCHOOL RELATIVE SHORTFALL:
School Shortfall divided by national sum of all shortfalls
SCHOOL FAIR SHARE FUNDS*:
School's Relative Shortfall multiplied by the remaining funds which have not yet been assigned
TOTAL SCHOOL ALLOCATION:
The sum of monies assigned in boxes marked with an asterisk(*)

*Funds may be assigned to schools in boxes marked with an asterisk(*).

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT (SEOG)

Appropriation Level for 1979-1980, $340 m

Set-Aside for National Appeal Panel decisions: 1%

Total Institutional Requests: $506,028,816
1978-79 Request : $356,732,379

	1978-1979 awards	1979-1980 conditional guarantee	1979-1980 Recommendations	% increase
Aggregate U.S. totals:	$269,959,797	$275,813,183	$336,523,137	24.65

type & control	1978-1979 award	1979-1980 conditional guarantee	1979-1980 recommendation	% increase/decrease	% of total 1978-1979	% of total 1979-1980
Public Univ. & four year	102,830,167	105,537,269	125,723,775	22.66	38.09	37.36
Public two year voc-tech & other	37,468,005	35,873,885	43,477,572	16.04	13.88	12.92
Private Univ. & four year	96,016,990	100,689,989	127,746,634	33.05	35.57	37.96
Private two year & other	7,568,603	9,167,202	10,965,060	44.88	2.80	3.26
Proprietary	26,076,032	24,544,888	28,610,096	9.72	9.66	8.50

Source: Analysis Section
C & SGB/DPPD, 2/16/79

COLLEGE WORK-STUDY (CW-S)

Appropriation Level for 1979-1980: $550 m

Set-Aside for National Appeal Panel decisions: 1%

Total Institutional Requests: $614,071,612

1978-79 Request : $511,345,519

	1978-1979 awards	1979-1980 conditional guarantee	1979-1980 recommendation	% increase
Aggregate U.S. totals:	$ 433,800,345	$ 419,400,857	$ 543,036,951[4]	25.18

type & control	1978-1979 award	1979-1980 conditional guarantee	1979-1980 recommendation	% increase/decrease	% of total 1978-1979	% of total 1979-1980
Public Univ. & four year	200,406,021	190,088,236	235,770,272	17.65	46.20	43.42
Public two year voc-tech & other	82,418,296	76,484,715	93,175,140	13.05	19.00	17.16
Private Univ. & four year	132,863,513	135,438,561	191,466,492	44.11	30.63	35.26
Private two year & other	10,454,382	12,414,495	15,285,704	46.21	2.41	2.81
proprietary	7,658,133	4,974,850	7,339,343	(-4.16)	1.77	1.35

[4] $543,036,951 includes $1,742,311 gained through "brokeraging" (trading-off unusable NDSL funds for some portion of available National "exce-s pool" CW-S funds)

Source: Analysis Section
C & SGB/DPPD, 2/16/79

TENTATIVE AWARDS

NATIONAL DIRECT STUDENT LOAN (NDSL)

Appropriation Level for 1979-1980: $310.5 m

Set-Aside for National Appeal Panel decisions: 10%

Total Institutional Requests: $502 m Federal Capital Contribution
$931 m Level of Expenditure [1]
1978-79 Request : $379 m Federal Capital Contribution
Total Recommended Awards: $279 m Federal Capital Contribution [2]
$745 m Level of Expenditure

	1978-1979 awards	1979-1980 conditional guarantee[3]	1979-1980 recommendations
Aggregate U.S. totals:	$ 310,353,346	$ 244,059,561	$279,309,413

type and control	1978-1979 awards	1979-1980 cond. guar.[3]	1979-1980 recommended
Public Univ. & four year	$129,750,928	$99,461,585	$113,798,213
Public two year voc-tech & other	$ 11,805,533	$ 6,310,665	$ 8,709,489
Private Univ. & four year	$118,597,824	$98,919,867	$114,181,372
Private two year & other	$ 4,187,065	$ 4,982,728	$ 5,681,932
Proprietary	$ 46,011,996	$34,384,716	$ 36,938,407

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[1] Level of Expenditure includes: 1979 recommended Federal Capital Contribution, institutional matching 1/9th share, 1978 collections, cash on hand and reimbursement for Teacher Cancellations.

[2] $279 m includes $2,466,538 gained through "brokeraging" (trading-off unusable CW-S funds for some portion of available National "excess pool" NDSL funds)

[3] Conditional Guarantee: the greater of, an institution's actual expenditure in the program for the 1977-1978 award year or, an institution's projected 1978-1979 award year expenditure.

OVERVIEW
# of the
NEED ANALYSIS SYSTEM
and
THE UNIFORM METHODOLOGY

Statement by

Constance L. White, Director of Undergraduate Financial
Aid and Coordinator of University Financial Aid at Yale University

before the

Subcommittee on Postsecondary Education
U.S. House of Representatives

May 7, 1979

Mrs. White will be accompanied by:

A. Dallas Martin Jr., Executive Director
National Association of Student Financial Aid Administrators

Mr. Chairman and members of the Subcommittee, I am Constance L. White, Director of Undergraduate Financial Aid and Coordinator of University Financial Aid at Yale University. I currently serve as Chairman of the Uniform Methodology Subcommittee of the Coalition for the Coordination of Student Financial Aid and as Chairman of the NASFAA Committee on Need Analysis. Accompanying me today is Dr. Dallas Martin, Executive Director of the National Association of Student Financial Aid Administrators.

We wish to thank you for the opportunity to discuss the theory and practice of need analysis in student financial assistance as part of your information gathering process prior to working on the reauthorizing of the Higher Education Act. For your reference we have information which we hope you will find helpful and which may be inserted into [illegible] briefing books provided to you by Dr. Martin last week. I will be referring to this information during my presentation and it will begin at letter N in your notebooks. This morning I hope to provide you with a background in need analysis including its recent history, its philosophy, the actual steps involved in the need analysis both in the dependent student model and the independent student model and finally to share with you some of the questions which are typically asked by students and their parents in respect to need analysis.

At the present time the majority of the financial aid community utilizes the Uniform Methodology of Need Analysis to determine the family contribution for its student financial aid applicants. This methodology provides a need calculation in a consistent and equitable manner. However, this situation was not always the case. Several years ago the major services processing financial aid applications and determining student's financial need operated independently and provided calculations which were quite different. In fact, these calculations could be as much as $1000 apart based on information submitted identically for the same family through the use of different economic models. Consequently, the family could become extremely confused when they submitted identical information to the two major processors and to the Basic Educational Opportunity Grant Program and received three different estimates of their financial strength. Since that period the two major need analysis services, American College Testing and the College Scholarship Service, have been involved in the development of the Uniform Methodology and now provide the same determination of family financial strength.

The Uniform Methodology is the product of the National Task Force on Student Aid Problems. In the spring of 1974 the College Entrance Examination Board brought together leaders of several private foundations, postsecondary institutions, state student aid programs and the Office of Education to form a voluntary task force to review the student aid delivery system. (See Section N for the participating organizations.) To quote from the Task Force report, "By design and agreement the activities of the Task Force were limited to the delivery system for whatever federal, state, private and institutional student aid programs exist to meet the needs of students in postsecondary education. The Task Force did not engage in discussions of the most appropriate social policy for financing postsecondary education."

One of the major activities of the Task Force was the development of the Uniform Methodology, and in so doing brought, as was stated before, the two major need analysis services in tandem in the collection of the data for the calculation of the family contribution and in the calculation itself. Prior to the Task Force, there were no controls or consistency of treatment by the two independent financial aid services. Now the Uniform Methodology is based on a consistent economic model which is reviewed annually to update the model to reflect current economic conditions and to adjust the parameters in the in the calculation of the family contribution. The work of the Task Force is presently being continued by the Coalition for the Coordination of Student Financial Aid. The Coalition is an outgrowth of the Task Force and is composed of some of the original member organizations plus others who are actively concerned about the delivery of student financial assistance. The Coalition's Uniform Methodology Subcommittee is charged with the review and ongoing development of the Uniform Methodology. The Subcommittee and the Coalition work very closely with the Office of Education in this development and continually coordinate their activities with respect to meeting the published benchmarks of the Office of Education for the federal approval of need analysis systems each year.

Having now reviewed some of the recent history of how the Uniform Methodology was developed, let us examine how the family contribution is determined. Simply stated, financial need is defined as the difference between the cost of attending a particular institution and the family's ability to pay for postsecondary education. There are five principles upon which the determination of the family contribution under the Uniform Methodology is based (as shown in Section O):

1. Parents, to the extent that they are able, have the primary responsibility to provide the financial support for their children's education.
2. Parents will contribute to the cost of their children's education according to their ability.
3. Students, in addition to their parents, have a responsibility to contribute from their own resources, assets and earnings, including appropriate borrowing against future earnings to pay for their education.
4. In determining a family's financial strength, the family must be evaluated in its present condition. The need analysis system cannot distinguish

between improvidence and financial tragedy. Previous circumstances of the family are only taken into consideration as far as they are reflected in the family's current income and assets.

5. The need analysis system must evaluate all families in a consistent and equitable manner. However, it must recognize the peculiarities of each family situation to the greatest extent possible.

In order to determine the family's current financial position in the case of a student dependent [illegible] her parents, three categories of financial resources are considered in determining the family contribution as shown in Section P. These resources are the parents' income, the parents' assets, and the student's resources. First, the parents' available income is determined by subtracting from the total income (taxable and non-taxable) of the parents those non-discretionary expenses and expenditures of the family. These expenditures include state and federal taxes, unusual expenses such as medical and dental expenses, an employment allowance, if applicable, and a standard maintenance allowance which covers food, shelter, and other normal living expenses. The sum of these allowances when subtracted from the parents' total income provides a determination of the parents' income available for discretionary purposes (available income).

In order to assess the total financial situation of the family both income and assets are considered to provide the most equitable and complete index of the family's ability to pay for postsecondary education. Thus, the parents' total net assets are evaluated to determine an income supplement. First, the parents' total net assets are calculated by adding the equity the parents' hold in their home, investments or other real estate, to the adjusted net worth of their business or farm and their cash, savings, and checking accounts. From the total net worth of the parents, an asset protection allowance is subtracted so that a portion of the assets is protected for retirement.

emergency and other purposes. This difference provides an estimate of the assets available for discretionary purposes which is then multiplied by a conversion rate to determine the amount of assets available for educational purposes. The parents' available income and income supplement are then combined to provide a total index of the family's financial strength which is taxed to determine the total amount the parents can be expected to contribute. If there is more than one child enrolled in postsecondary education, the parental contribution is then divided by the number of children in school to determine the amount of the parents' contribution for each student. As stated in the principles underlying the Uniform Methodology, the student's resources are also considered in developing the family contribution on the assumption that each student has an obligation to help pay for his or her education. The portion of student assets included each year in the contribution is 35% of a student's assets. To the student asset contribution is added the student's summer savings and veterans' and social security benefits. The total family contribution is then determined by adding together the parental contribution and the student contribution. This total family contribution is subtracted from the institution's cost of education to determine the student's financial need.

The determination of a contribution figure in the case of an independent or self-supporting student is similar to the model just described for the dependent student as shown in Section Q. The primary difference in the determination of a contribution figure for a self-supporting student is that the student's income is reviewed in addition to the spouse's employment earnings, if applicable. Briefly stated, federal and FICA taxes are subtracted from the student's and/or spouse's income which in turn is added to the student's other resources which include assistance from parents, veteran's educational benefits as well as other non-taxable resources. This results in the student's available income. Next, the assets of the self-supporting student are evaluated in a manner very similar to that used to determine the income supplement from the parents' assets in the dependent model. An asset contribution is determined from the student and spouse's assets and added to the student's available income to determine a student contribution which represents the funds available to pay for direct educational expenses and living costs for the year.

Now that we have reviewed the steps followed in determining the family contribution in the dependent model and the student contribution in the self-supporting model, let me explain what these contributions are and are not. First, it must be realized that the contributions calculated by the major financial aid services provide a consistent and equitable calculation applied to information submitted on the need analysis input documents. The resulting contributions should be considered as reliable recommendations but only as recommendations. They are a guide to judgement but not a substitute for the review and appropriate adjustment by knowledgeable financial aid administrators. The information submitted to the financial aid services is frequently supplemented by information collected on documents submitted directly to the financial aid office. In addition, the aid administrator may request clarification of the initial data submitted or a tax return in support of the application. The need analysis system serves a variety of institutions and agencies and provides contribution figures on a wide range of students and their families. Only through careful review by financial aid administrators can the complexities faced by individual students and their families be incorporated into the final contribution figures.

Earlier, in my presentation, I mentioned the fact that at one time there were three major determinations of financial need. With the development of the Uniform Methodology, the major private financial aid processors now provide identical calculations of contributions. However, there is still a difference between the Uniform Methodology and the determination of the family's financial strength under the Basic Grant Program. It must be recognized that the review of family financial situations under the BEOG program was established not to determine the financial need of students but to provide an index to distribute the program's funds which would only provide a portion of the total aid package for the student. Whereas, under the Uniform Methodology, the aid administrator is attempting to establish the total financial need of a student to be met by a variety of types of assistance. The BEOG calculation differs also from the calcuation of the Uniform Methodology in that supplemental data is used to develop the parents' contribution under the Uniform Methodology. This supplemental information is used to edit the data used in the calculation of the contributions.

One concern has been that the contributions calculated by the Uniform Methodology and the Basic Grant program have deviated dramatically in the past. With the introduction of the Middle Income Student Assistance Act the contributions from the Basic Grant Program were altered dramatically bringing the contributions closer together for families with incomes below the $25,000 income level. However, the contributions above this level still differ substantially. For the 1980-81 academic year the Uniform Methodology will be altered according to recently proposed changes recommended by the Uniform Methodology Subcommittee. Assuming that the Basic Grant Program will continue to provide its estimates on a system similar to the one currently in use, the contributions determined by these two systems will be brought closer together. It was the hope of the Task Force that eventually only one system of need analysis would exist. However, the members of the Task Force realized that it would be a difficult task to arrive at one system of need analysis since the basis for the development of the two systems was entirely different. However, with the introduction of the changes for 1980-81 the possibility of bringing the two systems together will, I believe, eventually be a reality.

In closing, let me state that we have attempted to give you a very brief overview of the Uniform Methodology and how the family contribution is determined. In addition, we have included in Section R some of the questions and answers which are frequently raised regarding need analysis. We hope that these will be helpful to you. If you, or the members of the subcommittee have any questions, we will be happy to respond to them at this time.

Thank you.

What was the National Task Force on Student Aid Problems?

The National Task Force on Student Aid Problems, (frequently referred to as the Keppel Task Force), was a group of twenty six educational associations and organizations who voluntarily met from May of 1974 until February of 1975 to review and suggest solutions to improving the existing student aid delivery system.

The primary work of the Task Force centered upon those activities which occur at the beginning of the student aid process; including a review of how students receive information about available aid; how they apply for aid; how their need is assessed; how they are notified of their aid awards and how they use that aid to begin or continue their education.

Who Participated in the Task Force?

Organizations which participated in the Task Force included:

American Association of Community and Junior Colleges
American Association of State Colleges and Universities
American College Testing Program
American Council on Education
Association of American Colleges
Association of Independent Colleges and Schools
Association of Jesuit Colleges and Universities
College Entrance Examination Board
Education Commission of the States
Educational Testing Service
El Congreso National de Asuntos Colegiales
Graduate and Professional Financial Aid Council
National Association for Equal Opportunity in Higher Education
National Association for Financial Aid for Minority Students
National Association of State Scholarship Programs
National Association of State Universities and Land Grant Colleges
National Association of Student Financial Aid Administrators
National Council of Higher Education Loan Programs
National Home Study Council
National Institute for Financial Aid Administration
National Scholarship Service and Fund for Negro Students
National Student Education Fund
National Student Lobby
National Merit Scholarship Program
State Higher Education Executive Officers
United Student Aid Funds

Position Adopted by the National Task Force on Student Aid Problems Regarding Need Analysis

One of the reasons that the need analysis process is poorly understood is that it has, in the past, often been used as a device to ration the available student aid funds through artificial or arbitrary decisions about the amount of "need" that the student and parents presented. What frequently passed for "need analysis" was really "resource analysis." The Task Force finds this unacceptable in a system which attempts to provide access, choice, and retention for students without sufficient resources of their own. The basic premise adopted by the Task Force as underlying the entire process of need analysis is:

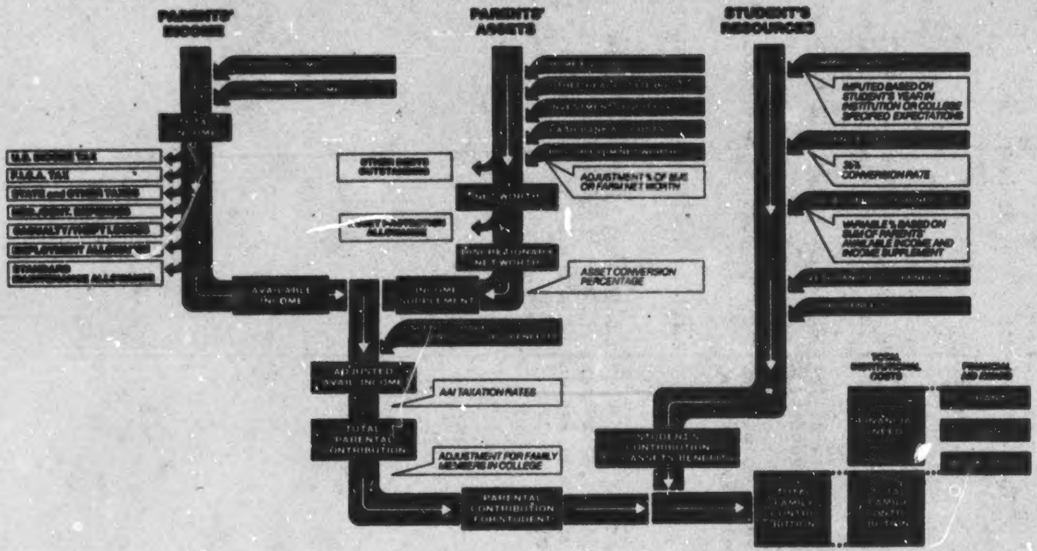
> *The results of need analysis should be an objective and equitable measurement of the actual amount of money needed by a particular student to successfully complete a program of study at a particular institution. Much of the confusion of students and their parents derives from their inability to understand how they can finance an education on the basis of awards made under artifically limited measurement of their need. Estimates of parental contribution, student contribution, and budget should not be used as rationing devices. Efforts should be made to increase the level of funding available for student aid, but until that is accomplished the need analysis system and procedures should not be used to make it appear that needs are being met when in fact they are not.*

The Uniform Methodology is Based Upon the Following Principles

1. To the extent that they are able, parents have the primary responsibility to pay for their childrens education.
2. Parents will, as they are able, contribute funds for their children's education.
3. Students, as well as their parents, have a responsibility to help pay for their education.
4. The family should be accepted in its present financial condition.
5. A need analysis system must evaluate families in a consistent and equitable manner, while recognizing that special circumstances can and do alter a family's ability to contribute.

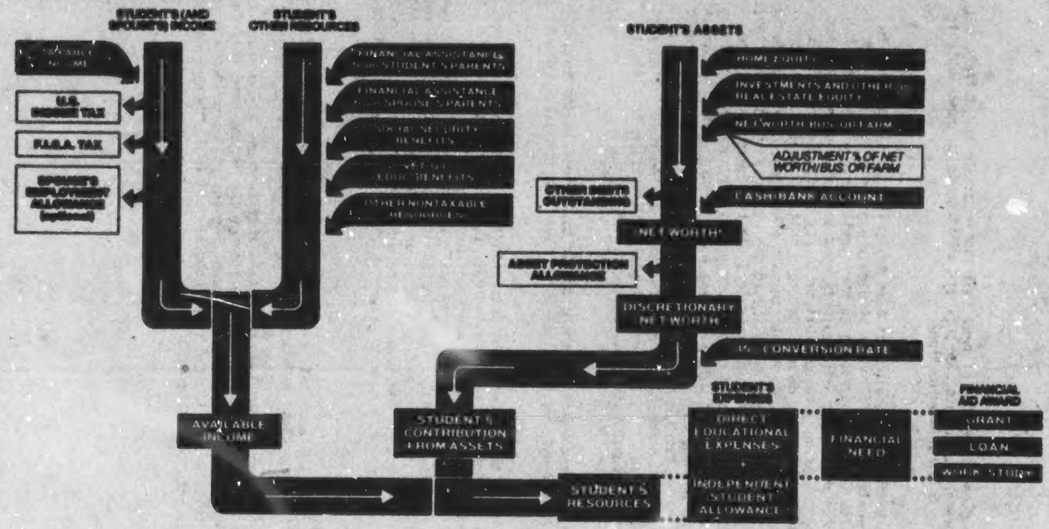
THE CSS NEED ANALYSIS SYSTEM / *Dependent Students*

UNIFORM METHODOLOGY FOR 1979 - 80


PARENTS' INCOME
TOTAL INCOME
U.S. INCOME TAX
F.I.C.A. TAX
STATE and OTHER TAXES
MED./DENT. EXPENSES
CASUALTY/THEFT LOSSES
EMPLOYMENT ALLOWANCE
STANDARD MAINTENANCE ALLOWANCE
AVAILABLE INCOME
PARENTS' ASSETS
CASH, BANK ACCOUNTS
OTHER DEBTS OUTSTANDING
ADJUSTMENT % OF BUS. OR FARM NET WORTH
NET WORTH
ASSET PROTECTION ALLOWANCE
DISCRETIONARY NET WORTH
ASSET CONVERSION PERCENTAGE
INCOME SUPPLEMENT
ADJUSTED AVAIL. INCOME
AAI TAXATION RATES
TOTAL PARENTAL CONTRIBUTION
ADJUSTMENT FOR FAMILY MEMBERS IN COLLEGE
PARENTAL CONTRIBUTION FOR STUDENT
STUDENT'S RESOURCES
IMPUTED BASED ON STUDENT'S YEAR IN INSTITUTION OR COLLEGE SPECIFIED EXPECTATIONS
35% CONVERSION RATE
VARIABLE % BASED ON SUM OF PARENTS' AVAILABLE INCOME AND INCOME SUPPLEMENT
STUDENT'S CONTRIBUTION (ASSETS, BENEFITS)
TOTAL FAMILY CONTRIBUTION
TOTAL INSTITUTIONAL COSTS
FINANCIAL NEED
TOTAL FAMILY CONTRIBUTION
FINANCIAL AID AWARD

THE CSS NEED ANALYSIS SYSTEM / Self-Supporting Students

UNIFORM METHODOLOGY FOR 1979-80


STUDENT'S (AND SPOUSE'S) INCOME
STUDENT'S OTHER RESOURCES
STUDENT'S ASSETS
TAXABLE INCOME
U.S. INCOME TAX
F.I.C.A. TAX
SPOUSE'S EMPLOYMENT ALLOWANCE (optional)
FINANCIAL ASSISTANCE from STUDENT'S PARENTS
FINANCIAL ASSISTANCE from SPOUSE'S PARENTS
SOCIAL SECURITY BENEFITS
VET. G.I. EDUC. BENEFITS
OTHER NONTAXABLE RESOURCES
HOME EQUITY
INVESTMENTS AND OTHER REAL ESTATE EQUITY
NET WORTH BUS. OR FARM
ADJUSTMENT % OF NET WORTH/BUS. OR FARM
CASH/BANK ACCOUNT
OTHER DEBTS OUTSTANDING
NET WORTH
ASSET PROTECTION ALLOWANCE
DISCRETIONARY NET WORTH
35% CONVERSION RATE
AVAILABLE INCOME
STUDENT'S CONTRIBUTION FROM ASSETS
STUDENT'S RESOURCES
STUDENT'S EXPENSES
DIRECT EDUCATIONAL EXPENSES
+
INDEPENDENT STUDENT ALLOWANCE
FINANCIAL NEED
FINANCIAL AID AWARD
GRANT
LOAN
WORK-STUDY

*The Institution may wish to substitute institutionally determined figures for non-direct expenses.

COMMON QUESTIONS ON NEED ANALYSIS

QUESTION:	How does the system of need analysis reconcile any differences between the parents' ability and willingness to contribute to their children's education?
ANSWER:	The Uniform Methodology of Need Analysis does not attempt to reconcile the differences between the parents' ability and willingness to contribute to their children's education. One of the underlying principals in need analysis is that parents have the primary responsibility to pay for their children's education and the amount that they must pay should reflect their ability to contribute to such education. Parents should not shift this responsibility to the student, the institution, or to state and federal agencies. At the present time, the total financial need of students greatly exceeds the available resources to meet this financial need. Thus, it is impossible for other agencies to assume the responsibility of the parents. At the institutional level, however, particularly within the Guaranteed Student Loan Program, there is the recognition that students may wish to borrow to replace a portion of their parents' contribution if necessary.
QUESTION:	Why does the Uniform Methodology incorporate into its review of assets home equity since this asset is a non-liquid one?
ANSWER:	In order to determine the total financial strength of the family, all resources must be considered. In addition, families must be treated in a consistent and equitable manner. To meet this criteria of an equitable need analysis system, all families must be treated similarly. Families who choose to rent and save versus those families who have chosen to purchase a home must have all of their assets considered. Otherwise, the choice to rent or to purchase will have an effect on the final contribution determined.
QUESTION:	Why does the need analysis system incorporate business and farm assets when these assets provide the income of the family?
ANSWER:	The Uniform Methodology recognizes that business and/or farm assets may generate all or a major portion of the income used in determining the contribution. As such, the analysis provides a protection of these assets for the livelihood of that family before incorporating them into the analysis.

QUESTION: In the need analysis of independent students under the Basic Educational Opportunity Grant Program a controversy has arisen over what is the proper taxation rate to be applied. In the analysis of the dependent model a taxation rate of 10.5% is applied to the income of the parents. Should this same taxation rate be applied in the case of independent students?

ANSWER: A distinction should be made between the student's and the parents' responsibilities to contribute to the education of the student. Postsecondary education benefits the student primarily. Thus the student should assume a greater responsibility or greater portion of the costs of education if able. As a result, the taxation rate applied to the income of the self-supporting student should be higher than that applied to the parents' resources. It should be noted, in addition, that the parents have other major responsibilities, in addition to the education of a child enrolled in postsecondary education while the major responsibility of the student is generally his or her own education.

QUESTION: How does the financial aid administrator cope with the situation of the divorced or separated parent?

ANSWER: The theory and practice of need analysis in cases of separated or divorced parents is still in its evolutionary stages. The National Association of Student Financial Aid Administrators' Committee on Need Analysis and other groups have analyzed these situations for the development of a consistent methodology. Because of the complexity of these situations, it has been very difficult to establish uniform procedures in this area. While the Committee on Need Analysis has recommended guidelines for use of professional judgement in this area, there is no substitute for the individual review by the financial aid administrator in conjunction with information supplied by the student applicant and his or her parents in determining an equitable contribution in these situations. There are many institutions that require information from both natural parents in order to arrive at the most equitable contribution to be utilized in the determination of the student's financial need.

QUESTION: When parents or students experience a sudden change in their financial circumstances, what should they do?

ANSWER: When a family experiences a sudden change in their financial circumstances, i.e. due to divorce, death, unemployment or a natural disaster, they should communicate directly with the financial aid administrator at the institution in which they are enrolled or plan to attend. The aid administrator, can make needed adjustments to the family contribution, with proper documentation.

EXPECTED FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS, 1979–80 AWARD PERIOD

SUMMARY OF CALCULATIONS
TO BE USED FOR APPLICANTS REPORTING FARM AND BUSINESS ASSETS

1. Parents' adjusted gross income in 1978. ______ 1
   a. Amount earned by father. ______
   b. Amount earned by mother. ______
2. Total non-taxable income in 1978. + ______ 2
3. One-half of Veterans Educational Benefits (to be received between July 1, 1979 and June 30, 1980). + ______ 3
4. Annual Adjusted Income (lines 1+2+3). = ______ 4
5. Parents' Federal Income Tax paid for 1978. – ______ 5
6. Effective Family Income in 1978. = ______ 6
7. Family size offset. (Table 1) + ______ 7
8. Unusual expenses offset. + ______ 8
9. Employment expense offset. (Table 3) + ______ 9
10. Unreimbursed elementary, junior and senior high school tuition and fees. + ______ 10
11. Total offsets against income (lines 7+8+9+10). ______ 11
12. Discretionary income (line 6 minus line 11). ______ 12
13. If line 12 is a positive amount, multiply discretionary income by 10.5% to obtain standard contribution from income. If line 12 is a negative amount, enter 0. ______ 13
14. Determine and enter parents' net farm and business assets. ______ 14
15. Determine and enter parents' net home and other assets (if negative enter 0). ______ 15
    15a. If farm equity (line 14) is negative, deduct from line 15 and enter result on line 15a. ______ 15a
    15b. Subtract asset reserve (Subtract 25,000 from line 15 if line 14 is positive. If line 14 is negative, subtract 25,000 from line 15a). –25,000 15b
    15c. Available home and other assets (if negative enter 0). ______ 15c
16. Add lines 14 plus 15 (if line 15 exceeds 25,000 add only 25,000 to line 14). ______ 16
    16a. Subtract total asset reserve. 50,000 16a
    16b. Available farm and business assets (If negative enter 0). ______ 16b

16c. Total available parental assets (line 15c plus line 16b). ________16c

17. Multiply Available Parental Assets by 0.05. ________17

18. Enter line 17 as standard contribution from available parental assets. If line 17 is negative enter 0. ________18

19. If line 12 is a negative amount, enter that amount as a positive number; otherwise enter 0. ________19

20. Subtract line 19 from line 18 to obtain contribution from parental assets. If negative number enter 0. ________20

21. Add lines 13 and 20 to obtain contribution from family income and parental assets. ________21

22. Multiply line 21 by multiple student rate to determine expected family contribution for each member in postsecondary education. (Table 2) ________22

23. Determine net assets of student. ________23

24. Multiply student's net assets by 0.33. ________24

25. Student Eligibility Index equals sum of lines 22 and 24. ________25

CALCULATION OF ELIGIBILITY INDEX FOR INDEPENDENT STUDENTS WITH DEPENDENTS, 1979-90 REPORTING FARM AND/OR BUSINESS ASSETS

1. Adjusted gross income of applicant (and spouse) in 1978. ______ 1
   a. Amount earned by applicant. ______
   b. Amount earned by spouse. ______
2. Total non-taxable income in 1978. + ______ 2
3. One-half of Veterans Educational Benefits (to be received between July 1, 1979 and June 30, 1980). + ______ 3
4. Annual adjusted income (lines 1+2+3). = ______ 4
5. Federal Income Tax Paid for 1978. − ______ 5
6. Effective family income. = ______ 6
7. Family size offset (Table 1). + ______ 7
8. Unusual Expenses offset. + ______ 8
9. Employment expense offset (Table 3). + ______ 9
10. Unreimbursed elementary, junior and senior high school tuition and fees. + ______ 10
11. Total offsets against income (lines 7+8+9+10). ______ 11
12. Discretionary income (line 6 minus line 11). = ______ 12
13. If line 12 is a positive amount, multiply discretionary income by applicable rate to obtain standard contribution from income. If line 12 is a negative amount enter 0 (Table 4). ______ 13
14. Determine and enter applicant net farm and business assets. ______ 14
15. Determine and enter applicant net home and other assets (if negative enter 0). ______ 15
   15a. If farm equity (line 14) is negative, deduct from line 15 and enter result on line 15a. ______ 15a
   15b. Subtract asset reserve (Subtract 25,000 from line 15 if line 14 is positive. If line 14 is negative, subtract 25,000 from line 15a). 25,000 15b
   15c. Available home and other assets (if negative enter 0). ______ 15c
16. Add lines 14 plus 15 (if line 15 exceeds 25,000 add only 25,000 to line 14). ______ 16
   16a. Subtract total asset reserve. 50,000 16a
   16b. Available farm and business assets (If negative enter 0). ______ 16b

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   16c. Total available applicant assets (line 15c plus line 16b). ______ 16c
17. Multiply Available Applicant Assets by 0.05. ______ 17
18. Enter line 17 as standard contribution from available applicant assets. If line 17 is neg., enter 0. ______ 18
19. If line 12 is a negative amount, enter that amount as a positive number; otherwise enter 0. ______ 19
20. Subtract line 19 from line 18 to obtain contribution from applicant assets. If neg., enter 0. ______ 20
21. Add lines 13 and 20 to obtain contribution from applicant income and assets. ______ 21
22. Multiply line 21 by multiple student rate to determine expected family contribution for each member in postsecondary education. (Table 2) ______ 22
23. Family Contribution equals line 22. ______ 23

CALCULATION OF ELIGIBILITY INDEX FOR INDEPENDENT STUDENTS WITH DEPENDENTS, 1979-80 REPORTING NO FARM AND/OR BUSINESS ASSETS

1. Adjusted gross income of applicant (and spouse) in 1978. ______ 1
    a. Amount earned by applicant. ______
    b. Amount earned by spouse. ______
2. Total non-taxable income in 1978. + ______ 2
3. One-half of Veterans Educational Benefits (to be received between July 1, 1979 and June 30, 1980). + ______ 3
4. Annual adjusted income (lines 1+2+3). = ______ 4
5. Federal Income Tax Paid for 1978. - ______ 5
6. Effective family income. = ______ 6
7. Family size offset (Table 1). + ______ 7
8. Unusual Expenses offset. + ______ 8
9. Employment expense offset (Table 3). + ______ 9
10. Unreimbursed elementary, junior and senior high school tuition and fees. + ______ 10
11. Total offsets against income (lines 7+8+9+10). ______ 11
12. Discretionary income (line 6 minus line 11). = ______ 12
13. If line 12 is a positive amount, multiply discretionary income by applicable rate to obtain standard contribution from income. If line 12 is a negative amount enter 0 (Table 4). ______ 13
14. Determine net assets of applicant (and spouse). ______ 14
15. Subtract asset reserve. -25,000 15
16. Available applicant assets (line 14 minus line 15) ______ 16
17. Multiply available applicant assets by 0.05. ______ 17
18. Enter line 17 as standard contribution from available applicant assets. If line 17 is neg., enter 0. ______ 18
19. If line 12 is a negative amount, enter that amount as a positive number; otherwise enter 0. ______ 19
20. Subtract line 19 from line 18 to obtain contribution from parental assets. If negative number enter 0. ______ 20
21. Add lines 13 and 20 to obtain contribution from applicant income and assets. ______ 21
22. Multiply line 21 by multiple student rate to determine expected family contribution for each member in postsecondary education. (See Table 2.) ______ 22
23. Family Contribution equals line 22. ______ 23

EXPECTED FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS, 1979–80 AWARD PERIOD

SUMMARY OF CALCULATIONS
TO BE USED FOR APPLICANTS REPORTING NO FARM OR BUSINESS ASSETS

1. Parents' adjusted gross income in 1978. ______ 1
   a. Amount earned by father. ______
   b. Amount earned by mother. ______
2. Total non-taxable income in 1978. + ______ 2
3. One-half of Veterans Educational Benefits (to be received between July 1, 1979 and June 30, 1980). + ______ 3
4. Annual Adjusted Income (lines 1+2+3). = ______ 4
5. Parents' Federal Income Tax paid for 1978. ______ 5
6. Effective family income in 1978. = ______ 6
7. Family size offset. (Table 1) + ______ 7
8. Unusual expenses offset. + ______ 8
9. Employment expense offset. (Table 3) + ______ 9
10. Unreimbursed elementary, junior and senior high school tuition and fees. + ______ 10
11. Total offsets against income (lines 7+8+9+10) ______ 11
12. Discretionary income (line 6 minus line 11) ______ 12
13. If line 12 is a positive amount, multiply discretionary income by 10.5% to obtain standard contribution from income. If line 12 is a negative amount, enter 0. ______ 13
14. Determine net assets of parents. ______ 14
15. Subtract asset reserve. -25,000 15
16. Available parental assets (line 14 minus line 15) ______ 16
17. Multiply available parental assets by 0.05. ______ 17
18. Enter line 17 as standard contribution from available parental assets. If line 17 is negative, enter 0. ______ 18
19. If line 12 is a negative amount, enter that amount as a positive number; otherwise enter 0. ______ 19
20. Subtract line 19 from line 18 to obtain contribution from parental assets. If negative number enter 0. ______ 20
21. Add lines 13 and 20 to obtain contribution from family income and parental assets. ______ 21
22. Multiply line 21 by multiple student rate to determine expected family contribution for each member in postsecondary education. ______ 22
23. Determine net assets of student. ______ 23
24. Multiply student's net assets by 0.33. ______ 24
25. Student Eligibility Index equals sum of lines 22 and 24. ______ 25

CALCULATION OF ELIGIBILITY INDEX FOR INDEPENDENT STUDENTS WITH NO DEPENDENTS

1979-80

1. Adjusted gross income of applicant in 1978. ______ 1
2. Total non-taxable income in 1973. + ______ 2
3. One-half of Veterans Educational Benefits (to be received between July 1, 1978 and June 30, 1980). + ______ 3
4. Annual adjusted income (lines 1+2+3). = ______ 4
5. Federal Income Tax Paid for 1978. - ______ 5
6. Effective family income. = ______ 6
7. Family size offset. + 3450 ______ 7
8. Unusual Expenses offset. + ______ 8
9. Total offsets against income (lines 7+8). ______ 9
10. Discretionary income (line 6 minus line 9). = ______ 10
11. If line 10 is a positive amount, multiply discretionary income by .75 to obtain standard contribution from income. If line 10 is a negative amount enter 0. ______ 11
12. Determine net assets of applicant. ______ 12
13. Multiply amount of assets of applicant, entered in line 12 by 0.33 to obtain standard contribution from assets. ______ 13
14. If line 10 is a negative number, enter as a positive number; otherwise enter 0. ______ 14
15. Subtract line 14 from line 13 to obtain standard contribution from student assets. If negative number, enter 0. ______ 15
16. Add lines 11 and 15 to obtain standard contribution from income and assets. ______ 16
17. Student Eligibility Index equals line 16. ______ 17

REFERENCE TABLES FOR DETERMINATION OF STUDENT ELIGIBILITY INDEX

TABLE 1

Family Size Offset

Family Size	Dollar Amounts	Family Size	Dollar Amounts
1	3,450	7	10,100
2	4,450	8	11,200
3	5,400	9	12,250
4	6,850	10	13,250
5	8,050	11	14,250
6	9,150	12	15,250

plus 1,000 for each additional family member

TABLE 2

Multiple Student Calculation Rate

Number in Postsecondary Education	Calculation Rate
1	100%
2	70%
3	50%
4 or more	40%

TABLE 3

Employment Expense Offset

Dependent Student		Independent Student	
Both Parents Employed	Single Head of Household	Student & Spouse Employed	Single Head of Household
50% of Lesser Income, not to Exceed $1,500	50% of Income, Not to Exceed $1,500	50% of Lesser Income, Not to Exceed $1,500	50% of Income, Not to Exceed $1,500

TABLE 4

For Independent Students

Rates to Determine Contribution from Income	
Type of Family	Rate
Single Student	75%
Married with spouse only	50%
With dependents other than spouse	40%

ATTACHMENT 1

Pre-1979-80 Application

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS

(For the period July 1, 1977 through June 30, 1978)

Please read instructions before completing this form.

FORM APPROVED
O.M.B. NO. 51-R0477

1. SERIAL NUMBER *(IIII.1)*	2. DATE

3. TYPE	4. CONTROL	5. LEVEL	6. CONGRESSIONAL DISTRICT

No award may be granted unless a completed application form has been received (20 U.S.C. 1087bb, 45 CFR 144 - National Direct Student Loan Program; 42 U.S.C. 2756, 45 CFR 175 - College Work-Study Program; 20 U.S.C. 1070b-1(b), 45 CFR 176 - Supplemental Educational Opportunity Grants Program)

GENERAL INFORMATION

7. NAME AND ADDRESS OF INSTITUTION *(street, city, State, and ZIP code)*

8. ENTITY IDENTIFICATION NUMBER *(EIN)*
1–

9. CHIEF EXECUTIVE OFFICER *(name and title)*

10. AREA CODE

11. TELEPHONE NUMBER AND EXTENSION

12. OFFICIAL RESPONSIBLE FOR RECEIPT, CUSTODY, AND DISBURSEMENT OF FEDERAL FUNDS *(name and title)*

13. AREA CODE

14. TELEPHONE NUMBER AND EXTENSION

SUMMARY OF REQUEST AND CERTIFICATION

15. FOR THE AWARD PERIOD JULY 1, 1977 THROUGH JUNE 30, 1978, THIS INSTITUTION IS REQUESTING A TOTAL* OF $ ________ IN THE NATIONAL DIRECT STUDENT LOAN, COLLEGE WORK STUDY, AND/OR SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM(S). THIS REQUEST IS ________ % OF THE TOTAL RECOMMENDED FUNDING LEVEL* FOR THE AWARD PERIOD JULY 1, 1976 THROUGH JUNE 30, 1977.

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*Total program request = the sum of line 33, column (a), line 41, column (e), line 41, column (f), and line 47, column (c) of this application. Total recommended funding level = the sum of lines Ia, IIa, IIIa, and IIIb of your final application form for the award period July 1, 1976 through June 30, 1977.

16. (CHECK ONE:) ☐ A COPY OF THE INSTITUTION'S FISCAL YEAR 1976 FISCAL OPERATIONS REPORT IS ATTACHED.
☐ THE INSTITUTION DID NOT PARTICIPATE IN ANY OF THE NATIONAL DIRECT STUDENT LOAN, COLLEGE WORK STUDY OR SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAMS IN FISCAL YEAR 1976.

CERTIFICATION. WE CERTIFY THAT TO THE BEST OF OUR KNOWLEDGE, THE INFORMATION PROVIDED BY THIS INSTITUTION IN THIS APPLICATION AND ATTACHED FISCAL YEAR 1976 FISCAL OPERATIONS REPORT IS TRUE, ACCURATE, AND COMPLETE, AND IN ACCORDANCE WITH RELEVANT PROVISIONS OF APPLICABLE REGULATIONS, AND THAT THE EDIT CHECKS ENUMERATED IN THE INSTRUCTIONS HAVE BEEN COMPLETED.

17. SIGNATURE	18. NAME AND TITLE	19. AREA CODE	20. TELEPHONE NUMBER AND EXTENSION
21. SIGNATURE	22. NAME AND TITLE	23. AREA CODE	24. TELEPHONE NUMBER AND EXTENSION

(LINE 17 - OFFICIAL LEGALLY AUTHORIZED TO SUBMIT THIS APPLICATION, *I.E.* PRESIDENT, OWNER)

(LINE 21 - DIRECTOR OF STUDENT FINANCIAL AID)

WARNING. Any person who knowingly makes a false statement or misrepresentation on this form may be subject to a fine up to $10,000 or to imprisonment up to five years, or to both, under provisions of the United States Criminal Code. Such provisions may include, among others, 18 U.S.C. 1001.

ELIGIBILITY *(First-time Applicants Only)*

25. HAVE YOU RECEIVED NOTIFICATION FROM THE DIVISION OF ELIGIBILITY AND AGENCY EVALUATION OF THE OFFICE OF EDUCATION OF YOUR ELIGIBILITY TO PARTICIPATE IN THESE PROGRAMS? ☐ YES ☐ NO. IF YOU HAVE NOT, HAVE ALL REQUIRED MATERIALS BEEN SUBMITTED TO THE DIVISION OF ELIGIBILITY AND AGENCY EVALUATION? ☐ YES ☐ NO.

OE FORM 1036, 8/76

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE OFFICE OF EDUCATION WASHINGTON, D.C. 20202 **INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS** *(For the period July 1, 1977 through June 30, 1978)*	Please read instructions before completing this form. ENTITY ID. NO. (EIN) 1–	FORM APPROVED O.M.B. NO. 51-R0477 SERIAL NO. *(USOE)*

NAME OF INSTITUTION	ADDRESS *(street, city, State, and ZIP code)*

ENROLLMENT DATA *(see instructions)*

TYPE OF STUDENT	FOR ADP USE	ACTUAL FALL 1975 *(a)*	ACTUAL FALL 1976 *(b)*	PROJECTED* FALL 1977 *(c)*
26. UNDERGRADUATE *(full-time and half-time)*	1A260	#	#	#
27. GRADUATE AND PROFESSIONAL *(full-time and half-time)*	1A270	#	#	#
28. TOTAL ENROLLMENT *(full-time and half-time)*	1A280	#	#	#

*Explain method of projection from column (b) to column (c).

COLLEGE WORK-STUDY REQUEST

	FOR ADP USE	ACTUAL 1975-76 *(a)*	ESTIMATED 1976-77 *(b)*	PROJECTED 1977-78 *(c)*
29. NUMBER OF STUDENTS *(line 29.1 plus line 29.2) (see Instructions)***	1A290	#	#	#
29.1 ON CAMPUS	1A291	#	#	#
29.2 OFF CAMPUS	1A292	#	#	#
30. AVERAGE AWARD *(line 31 divided by line 29)*	1A300	$	$	$
31. GROSS COMPENSATION TO STUDENTS	1A310	$	$	$
32. ADMINISTRATIVE EXPENSES *(not more than 3% of line 31)*	1A320	$	$	$
33. TOTAL EXPENDITURES AND REQUEST *(line 31 plus line 32)*	1A330	$	$	$
34. FEDERAL SHARE OF EXPENDITURES *(line 32 plus 80% of line 31)*	1A340	$	$	$
35. CHECK IF YOU WISH TO APPLY, AS A "DEVELOPING INSTITUTION" UNDER TITLE III OF THE HIGHER EDUCATION ACT OF 1965, AS AMENDED, FOR A PARTIAL WAIVER OF THE NON-FEDERAL SHARE OF CWS COMPENSATION TO STUDENTS DURING THE AWARD PERIOD 1977-1978. *(See Instructions)*	1A350			☐
36. CHECK IF YOU WISH TO APPLY FOR A PARTIAL WAIVER OF THE NON-FEDERAL SHARE OF THE CWS COMPENSATION TO STUDENTS DURING THE AWARD PERIOD 1977-78 ON THE BASIS THAT AT LEAST 50% OF THE STUDENTS ENROLLED AS AT LEAST HALF-TIME STUDENTS DURING THE AWARD PERIOD 1976-77 HAVE PARENTS WHOSE ANNUAL ADJUSTED INCOME DOES NOT EXCEED $7,500 PER YEAR. *(See Instructions)*	1A360			☐

***Line 29, column (c). If requesting an increase, specify in the Narrative how you will utilize additional students on-campus and off-campus and your administrative capability to operate an expanded program, particularly in the area of job placement.*

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS REQUEST

	FOR ADP USE	ACTUAL 1975-76		ESTIMATED 1976-77		PROJECTED 1977-78	
		INITIAL YEAR *(a)*	CONTINUING YEAR *(b)*	INITIAL YEAR *(c)*	CONTINUING YEAR *(d)*	INITIAL YEAR *(e)*	CONTINUING YEAR *(f)*
37. NUMBER OF STUDENTS	1A370	#	#	#	#	#	#
38. AVERAGE SEOG *(line 39 divided by line 37)*	1A380	$	$	$	$	$	$
39. FUNDS TO STUDENTS, EXPENDED *(cols. a, b, c, and d)* AND REQUESTED *(columns e and f)*	1A390	$	$	$	$	$	$
40. ADMINISTRATIVE EXPENSES *(not more than 3% of line 39)*	1A400	$	$	$	$	$	$
41. TOTAL EXPENDED *(columns a, b, c, and d)* AND REQUESTED *(columns e and f) (line 39 plus line 40)*	1A410	$	$	$	$	$	$

OE FORM 1036, 8/76

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS

(For the period July 1, 1977 through June 30, 1978)

Please read instructions before completing this form.

FORM APPROVED
O.M.B. NO. 51-R0477

ENTITY ID. NO. *(EIN)*
1 –

SERIAL NO. *(USFA)*

NAME OF INSTITUTION

ADDRESS *(street, city, State, and ZIP code)*

NATIONAL DIRECT STUDENT LOAN REQUEST

	FOR ADP USE	ACTUAL 1975-76 *(a)*	ESTIMATED 1976-77 *(b)*	PROJECTED 1977-78 *(c)*
42. NUMBER OF STUDENTS	1A420	#	#	#
43. AVERAGE LOAN *(line 44 divided by line 42)*	1A430	$	$	$
44. TOTAL FUNDS ADVANCED TO STUDENTS	1A440	$	$	$
45. ADMINISTRATIVE EXPENSES *(see Instructions)*	1A450	$	$	$
46. LITIGATION AND COLLECTION COSTS	1A460	$	$	$
47. TOTAL FUNDS NEEDED FOR PROGRAM OPERATION *(column (c) is level of funding) (line 44 plus line 45 plus line 46)*	1A470	$	$	$
48. CASH ON HAND AS OF JULY 1	1A480	$	$	$
49. COLLECTIONS AND OTHER INCOME RECEIVED	1A490	$	$	$
50. REIMBURSEMENT OF CANCELLED AMOUNTS RECEIVED ON LOANS MADE AFTER JUNE 30, 1972	1A500		$	$
51. SUBTOTAL *(line 48 plus line 49 plus line 50)*	1A510	$	$	$
52. TOTAL NEW CAPITAL REQUIRED *(see Instructions) (line 47 plus line 57 minus line 51)*	1A520	$	$	$
53. FEDERAL *(FCC) (not more than 90% of line 52)*	1A530	$	$	$
54. INSTITUTIONAL *(ICC) (at least 10% of line 52)*	1A540	$	$	$
55. CHECK IF SECTION 207 LOAN WILL BE NEEDED FOR LINE 54, COLUMN (c)	1A550			☐
56. COLLECTIONS, OTHER INCOME, AND REIMBURSEMENTS OF CANCELLED AMOUNTS RECEIVED TOO LATE TO RELEND *(see Instructions)*	1A560	$	$	$
57. CASH ON HAND AS OF JUNE 30 *(see Instructions) (line 51 plus line 52 minus line 47)*	1A570	$	$	$
58. AMOUNT DELINQUENT ON JUNE 30 *(more than 120 days past due) (see Instructions)*	1A550	$	$	$
59. DELINQUENCY RATE *(see Instructions)*	1A590	%		

OE FORM 1036, 8/76

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE OFFICE OF EDUCATION WASHINGTON, D.C. 20202 **INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS** *(For the period July 1, 1977 through June 30, 1978)*	Please read instructions before completing this form. ENTITY ID. NO. *(EIN)* 1 –	FORM APPROVED O.M.B. NO. 51-R0477 SERIAL NO: *(USE A)*

NAME OF INSTITUTION	ADDRESS *(street, city, State, and ZIP code)*

INSTITUTIONAL NEED ANALYSIS

	FOR ADP USE	ACTUAL 1975-76 *(a)*	ESTIMATED 1976-77 *(b)*	PROJECTED 1977-78 *(c)*
60. TOTAL NUMBER OF STUDENTS DETERMINED TO HAVE NEED AND ENROLLED AT THIS INSTITUTION *(see Instructions)*	1A[illegible]	#	#	#
61. UNDUPLICATED NUMBER OF STUDENTS AIDED WITH NDSL, CWS, AND SEOG FUNDS	1A610	[illegible]	#	#
62. GROSS COST FOR STUDENTS IN LINE 60 *(Schedule E, line E3)*	1A620	$	$	$
63. AVERAGE COST PER STUDENT *(line 62 divided by line 60)*	1A630	$	$	$
64. GROSS FAMILY CONTRIBUTION *(Schedule F, line F18)*	1A640	$	$	$
65. GROSS AID FROM OTHER SOURCES - DO NOT INCLUDE NDSL, CWS, OR SEOG *(Schedule G, line G18.3)*	1A650	$	$	$
66. NET NEED *(line 62 minus line 64 minus line 65)*	1A660	$	$	$
67. ADMINISTRATIVE EXPENSES PLUS LITIGATION AND COLLECTION COSTS *(see Instructions)*	1A670	$	$	$
68. TOTAL FUNDS NEEDED *(line 66 plus line 67)*	1A680	$	$	$
69. TOTAL NDSL, CWS, AND SEOG FUNDS EXPENDED *(columns (a) and (b))* AND REQUESTED *(column (c))*	1A690	$	$	$
70. UNMET NEED *(line 68 minus line 69)*	1A700	$	$	$
71. AVERAGE UNMET NEED *(line 70 divided by line 60) (if in excess of $300, explain in Narrative how students remained in school)*	1A710	$	$	$

* Show justification for an increased program request for the Award Period 1977-78 in excess of 110% of your total recommended funding level for the Award Period 1976-77, explaining in the Narrative your method of projecting (1) increased dollar amounts, (2) increased enrollment, and (3) increased number of needy students.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS

(For the period July 1, 1977 through June 30, 1978)

Please read instructions before completing this form.

ENTITY ID. NO. *(EIN)*
1 –

FORM APPROVED
O.M.B. NO. 51-R0677

SERIAL NO. *(DO/-1)*

NAME OF INSTITUTION

ADDRESS *(street, city, State, and ZIP code)*

SCHEDULE A
GROSS COSTS FOR NEEDY STUDENTS WITHOUT DEPENDENTS

TO BE COMPLETED BY INSTITUTIONS OTHER THAN PROPRIETARY INSTITUTIONS *see Instructions*

NOTE: Attach a copy of a catalog page, publication, or other official document verifying costs shown on this schedule.	FOR ADP USE	ACTUAL 1975-76 (1)	ESTIMATED 1976-77 (2)	PROJECTED 1977-78 (3)
A1. TUITION AND FEES, AVERAGE PER STUDENT	2A010	$	$	$ *
A2. BOOKS AND SUPPLIES, AVERAGE PER STUDENT	2A020	$	$	$ *
A3. PERSONAL EXPENSES, AVERAGE PER STUDENT	2A030	$	$	$ *
A4. TRANSPORTATION, AVERAGE PER STUDENT	2A040	$	$	$
A5. SUBTOTAL *(line A1 plus line A2 plus line A3 plus line A4)*	2A050	$	$	$
ROOM & BOARD FOR STUDENTS NOT LIVING WITH PARENTS				
A6. GROSS COST ON CAMPUS	2A060	$	$	$
A6.1. NUMBER OF STUDENTS	2A061	#	#	#
A6.2. AVERAGE PER STUDENT	2A062	$	$	$
A7. ESTIMATED GROSS COST OFF CAMPUS	2A070	$	$	$
A7.1. NUMBER OF STUDENTS	2A071	#	#	#
A7.2. ESTIMATED AVERAGE PER STUDENT	2A072	$	$	$
ROOM AND BOARD FOR STUDENTS LIVING WITH PARENTS				
A8. ESTIMATED GROSS COST	2A080	$	$	$
A8.1. NUMBER OF STUDENTS	2A081	#	#	#
A8.2. ESTIMATED AVERAGE PER STUDENT	2A082	$	$	$ **
TOTAL COSTS				
A9. TOTAL ROOM AND BOARD *(line A6 plus line A7 plus line A8)*	2A090	$	$	$
A10. NUMBER OF STUDENTS ON THIS PAGE *(line A6.1 plus line A7.1 plus line A8.1)*	2A100	#	#	#
A11. TOTAL OTHER COSTS *(line A5 times line A10)*	2A110	$	$	$
A12. GROSS COST *(line A9 plus line A11)*	2A120	$	$	$

A13. NUMBER OF MONTHS DURATION OF ENROLLMENT PERIOD *________

A14. CHECK THE APPROPRIATE BOX ☐ BOTH FULL TIME AND HALF TIME STUDENTS ARE COMBINED ON THIS PAGE
☐ FULL TIME STUDENTS ONLY ☐ HALF TIME STUDENTS ONLY.
IF MORE THAN 10 PERCENT OF YOUR NEEDY STUDENTS ARE HALF TIME, DUPLICATE THIS PAGE AND SHOW THESE CATEGORIES SEPARATELY.

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*See Instructions **Explain how calculated.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS

(For the period July 1, 1977 through June 30, 1978)

Please read instructions before completing this form.

ENTITY NO. *(EIN)*
1 –

FORM APPROVED
O.M.B. NO. 51-R0477

SERIAL NO. *(OE)*

NAME OF INSTITUTION

ADDRESS *(street, city, State, and ZIP code)*

SCHEDULE B
GROSS COSTS FOR NEEDY STUDENTS WITH DEPENDENTS

TO BE COMPLETED BY INSTITUTIONS OTHER THAN PROPRIETARY INSTITUTIONS *(see instructions)*

NOTE: Attach a copy of a catalog page, publication, or other official document verifying costs shown on this schedule.	FOR ADP USE	ACTUAL 1975-76 *(a)*	ESTIMATED 1976-77 *(b)*	PROJECTED 1977-78 *(c)*
B1. TUITION AND FEES, AVERAGE PER STUDENT	2B010	$	$	$
B2. BOOKS AND SUPPLIES, AVERAGE PER STUDENT	2B020	$	$	$
B3. PERSONAL EXPENSES, AVERAGE PER STUDENT	2B030	$	$	$
B4. TRANSPORTATION, AVERAGE PER STUDENT	2B040	$	$	$
B5. SUBTOTAL *(line B1 plus line B2 plus line B3 plus line B4)*	2B050	$	$	$
ROOM & BOARD FOR STUDENTS NOT LIVING WITH PARENTS				
B6. GROSS COST ON CAMPUS	2B060	$	$	$
B6.1. NUMBER OF STUDENTS	2B061	#	#	#
B6.2. AVERAGE PER STUDENT	2B062	$	$	$
B7. ESTIMATED GROSS COST OFF CAMPUS	2B070	$	$	$
B7.1. NUMBER OF STUDENTS	2B071	#	#	#
B7.2. ESTIMATED AVERAGE PER STUDENT	2B072	$	$	$
ROOM AND BOARD FOR STUDENTS LIVING WITH PARENTS				
B8. ESTIMATED GROSS COST	2B080	$	$	$
B8.1. NUMBER OF STUDENTS	2B081	#	#	#
B8.2. ESTIMATED AVERAGE PER STUDENT	2B082	$	$	$
TOTAL COSTS				
B9. TOTAL ROOM AND BOARD *(line B6 plus line B7 plus line B8)*	2B090	$	$	$
B10. NUMBER OF STUDENTS ON THIS PAGE *(line B6.1 plus line B7.1 plus line B8.1)*	2B100	#	#	#
B11. TOTAL OTHER COSTS *(line B5 times line B10)*	2B110	$	$	$
B12. GROSS COST *(line B9 plus line B11)*	2B120	$	$	$

B13. NUMBER OF MONTHS DURATION OF ENROLLMENT PERIOD # ________

B14. CHECK THE APPROPRIATE BOX: ☐ BOTH FULL-TIME AND HALF-TIME STUDENTS ARE COMBINED ON THIS PAGE.
☐ FULL-TIME STUDENTS ONLY. ☐ HALF-TIME STUDENTS ONLY.
IF MORE THAN 10 PERCENT OF YOUR NEEDY STUDENTS ARE HALF TIME, DUPLICATE THIS PAGE AND SHOW THESE CATEGORIES SEPARATELY.

B15. AVERAGE NUMBER OF DEPENDENTS FOR SUCH STUDENTS AT YOUR INSTITUTION** # ________

*See Instructions. **(Explain how calculated.)

OE FORM 1036, 8/76

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS

(For the period July 1, 1977 through June 30, 1978)

Please read instructions before completing this form.

FORM APPROVED
O.M.B. NO. 51-R0477

ENTITY ID. NO. *(EIN)*
1 –

SERIAL NO. *(IAIFA)*

NAME OF INSTITUTION

ADDRESS *(street, city, State, and ZIP code)*

SCHEDULE C - PROJECTED 1977-78 GROSS COSTS FOR NEEDY STUDENTS WITHOUT DEPENDENTS

(To be completed by proprietary institutions. See Instructions)

C1. INSTRUCTIONAL PROGRAM TITLE

C2. NO. OF MONTHS DURATION OF ENROLLMENT

PERIOD OF PROGRAM* ________

NOTE: Attach a copy of a catalog page, publication, or other official document verifying costs shown on this schedule.

				ROOM AND BOARD					
				ON CAMPUS		OFF CAMPUS			
						Not With Parents		With Parents	
STARTING DATE (a)	NO. OF MOS. IN AWARD PERIOD (b)	NO. OF STU-DENTS (c)	NO. OF STU-DENT MOS. (d)	NO. OF STU-DENTS (e)	NO. OF STU-DENT MOS. (f)	NO. OF STU-DENTS (g)	NO. OF STU-DENT MOS. (h)	NO. OF STU-DENTS (i)	NO. OF STU-DENT MOS. (j)
C3.1.	#	#	#	#	#	#	#	#	#
C3.2.	#	#	#	#	#	#	#	#	#
C3.3.	#	#	#	#	#	#	#	#	#
C3.4.	#	#	#	#	#	#	#	#	#
C3.5.	#	#	#	#	#	#	#	#	#
C3.6.	#	#	#	#	#	#	#	#	#
C3.7.	#	#	#	#	#	#	#	#	#
C3.8.	#	#	#	#	#	#	#	#	#
C3.9.	#	#	#	#	#	#	#	#	#
C3.10.	#	#	#	#	#	#	#	#	#
C3.11.	#	#	#	#	#	#	#	#	#
C3.12.	#	#	#	#	#	#	#	#	#
C3.13.	#	#	#	#	#	#	#	#	#
C3.14.	#	#	#	#	#	#	#	#	#
C3.15.	#	#	#	#	#	#	#	#	#
C3.16.	#	#	#	#	#	#	#	#	#
C4. TOTALS		#	#	#	#	#	#	#	#

	TUITION AND FEES (a)	BOOKS AND SUPPLIES (b)	PERSONAL (c)	TRANSPOR-TATION (d)	ROOM & BOARD ON CAMPUS (e)	ROOM & BOARD OFF CAMPUS NOT WITH PARENTS (f)	ROOM & BOARD OFF CAMPUS WITH PARENTS (g)
C5. PROGRAM COSTS	$	$	$	$	$	$	$
C6. COST FACTORS PER MONTH	$	$	$	$	$	$	$
C7. TOTAL COSTS	$	$	$	$	$	$	$
C8. AVG. COSTS PER STUDENT	$	$	$	$	$	$	$

C9. GROSS COST $

*See Instructions. **Explain how calculated.

C10. CHECK THE APPROPRIATE BOX ☐ BOTH FULL-TIME AND HALF-TIME STUDENTS ARE COMBINED ON THIS PAGE.
☐ FULL-TIME STUDENTS ONLY; ☐ HALF-TIME STUDENTS ONLY.

* IF MORE THAN 10 PERCENT OF THE NEEDY STUDENTS ENROLLED IN THE INSTRUCTIONAL PROGRAM(S) REPRESENTED ON THIS PAGE ARE HALF-TIME, DUPLICATE THIS PAGE AND SHOW HALF-TIME AND FULL-TIME CATEGORIES SEPARATELY.

OE FORM 1034, 6/76

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE OFFICE OF EDUCATION WASHINGTON, D.C. 20202 **INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS** *(for the period July 1, 1977 through June 30, 1978)*	Please read instructions before completing this form ENTITY ID NO. (EIN) 1 -	FORM APPROVED OMB NO. 51-R0471 SERIAL NO.
NAME OF INSTITUTION	ADDRESS *(street, city, State, and ZIP code)*	

SCHEDULE E - SUMMARY OF COSTS

GROSS COSTS FOR NEEDY STUDENTS *(summary of Schedules A and B or Schedules C and D)*	FOR ADP USE	ACTUAL 1975-76 *(a)*	ESTIMATED 1976-77 *(b)*	PROJECTED 1977-78 *(c)*
E1. GROSS COSTS, STUDENTS WITHOUT DEPENDENTS *(Schedule A, line A12 or Schedule C, line C9)*	2E010	$	$	$
E2. GROSS COSTS, STUDENTS WITH DEPENDENTS *(Schedule B, line B12 or Schedule D, line D9)*	2E020	$	$	$
E3. TOTAL GROSS COSTS *(line E1 plus line E2) (transfer to line 6[illegible], page 4)*	2E030	$	$	$

SCHEDULE F - FAMILY RESOURCES

GROSS FAMILY CONTRIBUTION *(parents plus student and spouse)*	FOR ADP USE	ACTUAL 1975-76 *(a)*	ESTIMATED 1976-77 *(b)*	PROJECTED 1977-78 *(c)*
F1. NUMBER OF DEPENDENT STUDENTS IN LINE 60	2F010	#	#	#
F2. AVERAGE PARENTAL CONTRIBUTION	2F020	$	$	$
F3. GROSS PARENTAL CONTRIBUTION *(line F1 times line F2)*	2F030	$	$	$
F4. NUMBER OF SINGLE STUDENTS *(with or without dependents)**	2F040	#	#	#
F5. AVERAGE CONTRIBUTION FROM SINGLE STUDENTS	2F050	$	$	$
F6. GROSS ST[illegible] CONTRIBUTION FROM SINGLE STUDENTS *(line F4 ti[illegible] F5)*	2F060	$	$	$
F7. NUMBER OF MARRIED STUDENTS*	2F070	#	#	#
F8. AVERAGE CONTRIBUTION FROM MARRIED STUDENT AND SPOUSE	2F080	$	$	$
F9. GROSS MARRIED STUDENT AND SPOUSE CONTRIBUTION *(line F7 times line F8)*	2F090	$	$	$
F10. GROSS FAMILY CONTRIBUTION *(line F3 plus line F6 plus line F9) (enter on line 64, page 4)*	2F100	$	$	$

*LINE F4 PLUS LINE F7 = LINE 60 *(total needy enrolled students)*

OE FORM 1036, 8/76

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS
(For the period July 1, 1977 through June 30, 1978)

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FORM APPROVED
O.M.B. NO. 51-R0477

ENTITY ID. NO. *(EIN)*
1–

SERIAL NO. *(DSFA)*

NAME OF INSTITUTION

ADDRESS *(street, city, State, and ZIP code)*

SCHEDULE D – PROJECTED 1977-78 GROSS COSTS FOR NEEDY STUDENTS WITH DEPENDENTS

(To be completed by proprietary institutions. See Instructions)

D1. INSTITUTIONAL PROGRAM TITLE

D2. NO. OF MONTHS DURATION OF ENROLLMENT PERIOD OF PROGRAM #______

NOTE: Attach a copy of a catalog page, publication, or other official document verifying costs shown on this schedule.

				ROOM AND BOARD					
				ON CAMPUS		OFF CAMPUS			
						Not with Parents		With Parents	
STARTING DATE (a)	NO. OF MOS. IN AWARD PERIOD (b)	NO. OF STUDENTS (c)	NO. OF STUDENT MOS. (d)	NO. OF STUDENTS (e)	NO. OF STUDENT MOS. (f)	NO. OF STUDENTS (g)	NO. OF STUDENT MOS. (h)	NO. OF STUDENTS (i)	NO. OF STUDENT MOS. (j)
D3.1.	#	#	#	#	#	#	#	#	#
D3.2.	#	#	#	#	#	#	#	#	#
D3.3.	#	#	#	#	#	#	#	#	#
D3.4.	#	#	#	#	#	#	#	#	#
D3.5.	#	#	#	#	#	#	#	#	#
D3.6.	#	#	#	#	#	#	#	#	#
D3.7.	#	#	#	#	#	#	#	#	#
D3.8.	#	#	#	#	#	#	#	#	#
D3.9.	#	#	#	#	#	#	#	#	#
D3.10.	#	#	#	#	#	#	#	#	#
D3.11.	#	#	#	#	#	#	#	#	#
D3.12.	#	#	#	#	#	#	#	#	#
D3.13.	#	#	#	#	#	#	#	#	#
D3.14.	#	#	#	#	#	#	#	#	#
D3.15.	#	#	#	#	#	#	#	#	#
D3.16.	#	#	#	#	#	#	#	#	#
D4. TOTALS		#	#	#	#	#	#	#	#

	TUITION AND FEES (a)	BOOKS AND SUPPLIES (b)	PERSONAL (c)	TRANSPORTATION (d)	ROOM & BOARD ON CAMPUS (e)	ROOM & BOARD OFF CAMPUS NOT WITH PARENTS (f)	ROOM & BOARD OFF CAMPUS WITH PARENTS (g)
D5. PROGRAM COSTS	$	$	$	$	$	$	$
D6. COST FACTOR PER MONTH	$	$	$	$	$	$	$
D7. TOTAL COSTS	$	$	$	$	$	$	$
D8. AVG. COSTS PER STUDENT	$	$	$	$	$	$	$
D9. GROSS COST $							

*See Instructions. **Explain how calculated

D10. CHECK THE APPROPRIATE BOX. ☐ BOTH FULL-TIME AND HALF-TIME STUDENTS ARE COMBINED ON THIS PAGE
☐ FULL-TIME STUDENTS ONLY. ☐ HALF-TIME STUDENTS ONLY.

If more than 10 percent of the needy students enrolled in the instructional program(s) represented on this page are half time, duplicate this page and show half-time and full-time calculations separately.

D11. AVERAGE NUMBER OF DEPENDENTS FOR SUCH STUDENTS AT YOUR INSTITUTION* #

OE FORM 1036, 9/76

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS

(For the period July 1, 1977 through June 30, 1978)

[illegible] before completing this form

ENTITY ID NO. (EIN)
1 -

FORM APPROVED
O.M.B. NO. 51-R0477

SERIAL NO. [illegible]

NAME OF INSTITUTION

ADDRESS (street, city, State, and ZIP code)

SCHEDULE G - GROSS AID FROM OTHER SOURCES (for needy students only, line 68, page 4)		FOR ADP USE	ACTUAL 1975-76 (a)	ESTIMATED 1976-77 (b)	PROJECTED 1977-78 (c)
G1. INSTITUTIONAL EMPLOYMENT	G1.1 STUDENTS	2G011	#	#	#
	G1.2 DOLLARS	2G012	$	$	$
	G1.3 AVERAGE	2G013	$	$	$
G2. INSTITUTIONAL LOANS	G2.1 STUDENTS	2G021	#	#	#
	G2.2 DOLLARS	2G022	$	$	$
	G2.3 AVERAGE	2G023	$	$	$
G3. INSTITUTIONAL GIFT AID	G3.1 STUDENTS	2G031	#	#	#
	G3.2 DOLLARS	2G032	$	$	$
	G3.3 AVERAGE	2G033	$	$	$
G4. BASIC GRANTS	G4.1 STUDENTS	2G041	#	#	#
	G4.2 DOLLARS	2G042	$	$	$
	G4.3 AVERAGE	2G043	$	$	$
G5. STATE SCHOLARSHIPS/GRANTS	G5.1 STUDENTS	2G051	#	#	#
	G5.2 DOLLARS	2G052	$	$	$
	G5.3 AVERAGE	2G053	$	$	$
G6. VETERANS BENEFITS	G6.1 STUDENTS	2G061	#	#	#
	G6.2 DOLLARS	2G062	$	$	$
	G6.3 AVERAGE	2G063	$	$	$
G7. OTHER LOANS	G7.1 STUDENTS	2G071	#	#	#
	G7.2 DOLLARS	2G072	$	$	$
	G7.3 AVERAGE	2G073	$	$	$
G8. OTHER EMPLOYMENT	G8.1 STUDENTS	2G081	#	#	#
	G8.2 DOLLARS	2G082	$	$	$
	G8.3 AVERAGE	2G083	$	$	$

OE FORM 1036, [illegible]/76

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS
(For the period July 1, 1977 through June 30, 1978)

Please read instructions before completing this form.

FORM APPROVED
O.M.B. NO. 51-R0477

[illegible]

ENTITY ID. NO. *(EIN)*
1 –

NAME OF INSTITUTION

ADDRESS *(street, city, State, and ZIP code)*

SCHEDULE G *(continued)* GROSS AID FROM OTHER SOURCES		FOR ADP USE	ACTUAL 1975-76 *(a)*	ESTIMATED 1976-77 *(b)*	PROJECTED 1977-78 *(c)*
G9. OTHER *(do NOT include the Family Contribution)*	G9.1 STUDENTS	2G091	#	#	#
	G9.2 DOLLARS	2G092	$	$	$
	G9.3 AVERAGE	2G093	$	$	$
G10. TOTAL *(enter G10.2 on line 63, page 4)* *(see instructions)*	G10.1 STUDENTS *(unduplicated)*	2G101	#	#	#
	G10.2 DOLLARS	2G102	$	$	$
	G10.3 AVERAGE	2G103	$	$	$

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS

(For the period July 1, 1977 through June 30, 1978)

Please read instructions before completing this form.

ENTITY ID. NO. (EIN)
1 –

FORM APPROVED
O.M.B. NO. 51-R0877

SERIAL NO. (leave blank)

NAME OF INSTITUTION

ADDRESS *(street, city, State, and ZIP code)*

NARRATIVE

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE OFFICE OF EDUCATION WASHINGTON, D.C. 20202 **INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS** *(For the period July 1, 1977 through June 30, 1978)*	Please read instructions before completing this form. ENTITY ID. NO. *(EIN)* 1 –	FORM APPROVED O.M.B. NO. 51-R0477 SERIAL NO. *(Use A)*

NAME OF INSTITUTION

ADDRESS *(street, city, State, and ZIP code)*

PERSONNEL *(see Instructions)*

OE Form 1046, 4/76

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

INSTITUTIONAL APPLICATION TO PARTICIPATE IN FEDERAL STUDENT FINANCIAL AID PROGRAMS

(For the period July 1, 1977 through June 30, 1978)

Please read instructions before completing this form.

FORM APPROVED
O.M.B. NO. 51-R0177

ENTITY ID. NO. *(EIN)*
1 –

SERIAL NO. *(DSF...)*

NAME OF INSTITUTION

ADDRESS *(street, city, State, and ZIP code)*

MAINTENANCE OF LEVEL OF EFFORT

(INSTITUTIONAL SCHOLARSHIP AND STUDENT AID EXPENDITURES)

* INSTITUTIONS WHICH PARTICIPATED IN CWSP AND/OR SEOGP DURING FISCAL YEAR 1976 COMPLETE LINE 72			INSTITUTIONS WHICH RECEIVED CWSP AND/OR SEOGP AWARDS FOR THE FIRST TIME FOR AWARD PERIOD 1976-77 COMPLETE LINES 73-77		
72. INSTITUTIONAL SCHOLARSHIP AND STUDENT AID EXPENDITURES DURING FY 76 *(July 1, 1975 through June 30, 1976)*	FOR ADP USE 1A720	$ *	INSTITUTIONAL SCHOLARSHIP AND STUDENT AID EXPENDITURES	73. FISCAL YEAR 1974	$
				74. FISCAL YEAR 1975	$
				75. FISCAL YEAR 1976	$
				76. TOTAL *(line 73 plus line 74 plus line 75)*	$
				77. 3-YEAR AVERAGE *(see instructions)*	$

*If the institution failed to maintain its level of effort in Fiscal Year 1976, please explain the reason for the failure below.

1979-80 Application

Department of Health, Education, and Welfare Office of Education Washington, D.C. 20202	PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM	FORM APPROVED O.M.B. No. 51-R0877
NAME OF INSTITUTION	ADDRESS (street, city, state, and ZIP code)	SERIAL NO. (CSGR)

APPLICATION FOR THE AWARD PERIOD JULY 1, 1979 THROUGH JUNE 30, 1980

PART A

To be completed by ALL institutions requesting participation in one or more of the campus-based programs (National Direct Student Loan, Supplemental Educational Opportunity Grants, and College Work Study) during the 1979-80 Award Period.

Based upon your institution's approved need analysis system, enter in the boxes provided below the total amount of funds which you can utilize in the operation of these programs at your institution during the 1979-80 Award Period. Enter "NA" for any program in which you are not requesting participation.

1. NDSL LEVEL OF EXPENDITURES	2. FEDERAL CAPITAL CONTRIBUTION	3. SEOG INITIAL YEAR	4. SEOG CONTINUING YEAR	5. CWS FEDERAL FUNDS
$	$	$	$	$

PART B

IMPORTANT. BEFORE ATTEMPTING TO COMPLETE THE FOLLOWING INFORMATION, PLEASE REFER TO THE INSTRUCTIONS AND DEFINITIONS FOR THIS PART.

Lines 1 and 7 through 17. To be completed by applicant institutions which participated in one or more of these programs during the Award Period July 1, 1977 through June 30, 1978.

Lines 2 through 6. To be completed by "first-time" applicants and applicant institutions which are participating in one or more of these programs for the first time during the current award period, July 1, 1978 through June 30, 1979.

		UNDERGRADUATE A	GRADUATE/PROFESSIONAL B
1	ACTUAL NUMBER OF FULL-TIME AND PART-TIME STUDENTS ATTENDING YOUR INSTITUTION DURING THE FALL TERM, 1977.		
2	ACTUAL NUMBER OF STUDENTS ENROLLED AND STARTED AT YOUR INSTITUTION AS OF JULY 1, 1978		
3	TOTAL REVENUE RECEIVED FOR TUITION AND FEES FOR THE AWARD PERIOD JULY 1, 1977 TO JUNE 30, 1978		
	TOTAL AWARDS MADE TO STUDENTS UNDER THE BEOG PROGRAM DURING THE AWARD PERIOD JULY 1, 1977 TO JUNE 30, 1978		▨
	TOTAL OF STATE GRANT AND SCHOLARSHIP AWARDS MADE TO UNDERGRADUATE STUDENTS DURING THE AWARD PERIOD JULY 1, 1977 TO JUNE 30, 1978		▨
	TOTAL OF INSTITUTIONALLY ADMINISTERED GRANTS AND SCHOLARSHIP AWARDS MADE TO UNDERGRADUATE STUDENTS DURING THE AWARD PERIOD 7-1-77 - 6-30-78.		▨

TE: "First-time" applicants and applicant institutions which are participating in one or more of these programs for the first time during the current Award Period July 1, 1978 through June 30, 1979 proceed immediately to Part C. All others complete the income grid below.

R OF ELIGIBLE AID APPLICANTS ENROLLED AT LEAST HALF-TIME DURING THE 1977-78 AWARD PERIOD BY TYPE OF STUDENT AND OME CATEGORY

TOTAL INCOME INCLUDING TAXABLE AND NON-TAXABLE	UNDERGRADUATE DEPENDENT a	GRADUATE/PROFESSIONAL DEPENDENT b	TOTAL INCOME INCLUDING TAXABLE AND NON-TAXABLE	UNDERGRADUATE INDEPENDENT c	GRADUATE/PROFESSIONAL INDEPENDENT d
$0 TO $5,999			$0 TO $999		
$6,000 TO $8,999			$1,000 TO $1,999		
$9,000 TO $11,999			$2,000 TO $2,999		
$12,000 TO $14,999			$3,000 TO $3,999		
$15,000 TO $17,999			$4,000 TO $4,999		
$18,000 TO $20,999			$5,000 TO $5,999		
$21,000 TO $23,999			$6,000 TO $6,999		
$24,000 TO $26,999			$7,000 TO $7,999		
$27,000 TO $29,999			$8,000 TO $8,999		
$30,000 AND OVER			$9,000 AND OVER		
TAL			TOTAL		

[illegible] (9/78)

47-698 378 11

Department of Health, Education, and Welfare Office of Education Washington, D.C. 20202	PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM	FORM APPROVED O.M.B. No. 51-R0477
NAME OF INSTITUTION		SERIAL NO. [illegible]

PART C
ENROLLMENT DATA

SECTION I PRIOR YEAR DATA (See Instructions)

TYPE OF STUDENT AND ATTENDANCE STATUS							NUMBER OF STUDENTS ATTENDING ON JULY 1, 1977 g	STARTING DATE MO./DAY/YR. h			LENGTH OF COURSE (IN MONTHS) i
	UNDERGRADUATE			GRADUATE/PROFESSIONAL							
	FT a	3/4 T b	HT c	FT d	3/4 T e	HT f					
1.											
2.											
3.											
4.											
5.											
6.											
7.											
8.											
9.											

SECTION II NEW STARTS (See Instructions)

TYPE OF STUDENT AND ATTENDANCE STATUS							NUMBER OF STUDENTS STARTING AFTER JULY 1, 1977 g	STARTING DATE MO./DAY/YR. h			LENGTH OF COURSE (IN MONTHS) i
	UNDERGRADUATE			GRADUATE/PROFESSIONAL							
	FT a	3/4 T b	HT c	FT d	3/4 T e	HT f					
10.											
11.											
12.											
13.											
14.											
15.											
16.											
17.											
18.											

SECTION III (See Instructions)

NUMBER OF ELIGIBLE AID APPLICANTS ENROLLED AT LEAST HALF-TIME DURING THE PERIOD JULY 1, 1978 THROUGH SEPTEMBER 30, 1978 BY TYPE OF STUDENT AND INCOME CATEGORY

TOTAL INCOME INCLUDING TAXABLE AND NON-TAXABLE	UNDERGRADUATE DEPENDENT a	GRADUATE/PROFESSIONAL DEPENDENT b	TOTAL INCOME INCLUDING TAXABLE AND NON-TAXABLE	UNDERGRADUATE INDEPENDENT c	GRADUATE/PROFESSIONAL INDEPENDENT d
19. $0 TO $5,999			$0 TO $999		
20. $6,000 TO $8,999			$1,000 TO $1,999		
21. $9,000 TO $11,999			$2,000 TO $2,999		
22. $12,000 TO $14,999			$3,000 TO $3,999		
23. $15,000 TO $17,999			$4,000 TO $4,999		
24. $18,000 TO 20,999			$5,000 TO $5,999		
25. $21,000 TO $23,999			$6,000 TO $6,999		
26. $24,000 TO $26,999			$7,000 TO $7,999		
27. $27,000 TO $29,999			$8,000 TO $8,999		
28. $30,000 AND OVER			$9,000 AND OVER		
29. TOTAL			TOTAL		

PART D

TYPE OF STUDENT	ESTIMATED a 12 Months ending June 30, 1979 (i.e., 1978-79: 7/1/78 - 6/30/79)	PROJECTED b 12 Months ending June 30, 1980 (i.e., 1979-80: 7/1/79 - 6/30/80)
1. UNDERGRADUATE (FULL- AND AT LEAST HALF-TIME)		
2. GRADUATE/PROFESSIONAL (FULL- AND AT LEAST HALF-TIME)		

U.S. GOVERNMENT PRINTING OFFICE [illegible] federal register

WEDNESDAY, NOVEMBER 8, 1978
PART IV

THE NATIONAL ARCHIVES OF THE UNITED STATES
1934

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office of Education

■

NATIONAL DIRECT STUDENT LOAN, COLLEGE WORK-STUDY, AND SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAMS

[4110-02-M]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office of Education

[45 CFR Parts 174, 175, and 176]

NATIONAL DIRECT STUDENT LOAN, COLLEGE WORK-STUDY, AND SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAMS

AGENCY: Office of Education, HEW.

ACTION: Notice of proposed rulemaking.

SUMMARY: 1. The Commissioner is revising sections 3, 4, 5, 6, 7, and 16 of the National Direct Student Loan, College Work-Study, and Supplemental Educational Opportunity Grant Program regulations. These three programs are popularly known as the three "campus-based" Federal programs of student financial aid.

2. These revisions are being made (a) to correct previous inequities in distributing funds among institutions of higher education and (b) to require that the institutions verify any estimated family income data on applications for financial aid submitted before January 1 for an award year beginning after that date.

3. As a result of these changes, the form used by institutions for applying for Federal funds will be simplified. Regional review panels will be eliminated. Funds will be distributed among institutions by formula, rather than in accordance with panel recommendations. The Commissioner's "discretionary" 10 percent of each appropriation will also be distributed among States by the same formula. Finally, no Federal funds may be given to any student based on unverified income data submitted before January 1. Verification will be optional on forms submitted after January 1.

DATES: Comments must be received on or before December 7, 1978. There will be hearings in New York, New Orleans, Chicago, and Seattle at the locations listed below.

ADDRESSES: Comments should be addressed to Mr. Thomas Butts, Room 4662 ROB, 400 Maryland Avenue SW., Washington, D.C. 20202.

November 27—New York, N.Y., Office of Education, Region II, Room 1-103 Lobby Floor, 26 Federal Plaza, New York, N.Y. 10007; 9 a.m. to conclusion. Contact person for scheduling presentation times: Ms. Tillie Wachs, 212-264-4045.

December 4—New Orleans, La., Tulane University, McAlister Drive University Center, Stibbs Room A and B, New Orleans, La.; 10 a.m. to conclusion. Contact person for scheduling presentation times: Ms. Carole Sivright, Dallas Regional Office, 214-767-3706.

December 6—Chicago, Ill., Loyola University, Downtown Campus, Regis Room, 820 N. Michigan Avenue, Chicago, Ill. 60611; 9 a.m. to conclusion. Contact person for scheduling presentation times: Mr. Tom Schindler, 312-353-8943.

December 8—Seattle, Wash., Federal Building, South Auditorium, 915 Second Avenue, Seattle, Wash., 98174; 9 a.m. to conclusion. Contact person for scheduling presentation times: Mr. Jesse Lockyer, 206-442-4196.

FOR FURTHER INFORMATION CONTACT:

Mr. Jack Reynolds, 202-245-0231.

SUPPLEMENTARY INFORMATION: The proposed amendments regarding distribution of campus-based student aid funds are based on recommendations made to the Commissioner by a panel of student financial aid experts and on public comment received on those recommendations. The recommendations were distributed to the public in the June 1978 Bulletin of the Bureau of Student Financial Assistance of the Office of Education (BSFA Bulletin), the relevant portions of which are reproduced below, after "Other comments." Readers are invited to read that part of the preamble for the text of the recommendations, and for the background and rationale of this proposal. Written comments were received on those recommendations, and public hearings were held during the first 2 weeks of July in San Francisco, Houston, Washington, D.C., and Chicago.

As a result of public comment on the recommendations of the panel of experts, this proposal varies from those recommendations in several ways. First, this proposal covers only the first year of the recommended 3-year phase-in process. A later Notice of Proposed Rulemaking will be required to carry out the second and third years of that process. This guarantees that public comment will be received on the results of the first year of the new procedure before the second and third years are incorporated in the regulations. Additionally, changes have been made in some details of the formulas recommended by the panel of experts.

This proposal is similar to the recommendations of the panel of experts in that it gives both current participants in the programs and new applicants a conditionally guaranteed level of funding during the first year of implementation of the new process. In general, the guarantee is conditional on enough money being appropriated for each program. This proposal differs from the recommendations in its definition of funding and in other details discussed below.

Under this proposal an institution's level of funding will be considered the greater of its actual 1977-78 expenditures or its projected 1978-79 expenditures. These amounts will be compared for each program separately.

Each institution's projected 1978-79 expenditures will be calculated by the Office of Education. This will be done in two steps: First, the Office of Education will determine for each institution what percent it spent of the funds available to it in each program during 1977-78. The data for making this determination will be taken from the fiscal-operations report filed by the institution as part of its application. Then, the amount of funds available to the institution in each program during 1978-79 will be multiplied by that percentage to determine its projected expenditures.

If an institution did not participate in a particular program during 1977-78 but has funds available to it in that program during 1978-79, 100 percent use will be assumed.

If an institution is a nonparticipant in all programs during 1978-79, it will also receive a conditional guarantee of funding. Since that guarantee cannot be based on the institution's actual 1977-78 or projected 1978-79 expenditures, a substitute measure will be used. That substitute measure will be the amount of funds awarded in each program to last year's new applicants for their expenditure during 1978-79 divided by the number of enrolled students in those schools. This will give an average award per enrolled student. Averages will be calculated by type and control, using a national data base. (Types of institutions are universities, 4-year schools, 2-year schools, area vocational schools, and others. Control means public, nonprofit private, and proprietary.) The average for each program will be multiplied by a new applicant's current actual enrollment to determine its conditional guarantee in that program for 1979-80.

This approach differs from that recommended by the panel of experts. Their recommendation was that a new applicant's funding level should be its "fair share," computed as described under "Calculation of fair shares."

Each institution, both "new" and "old," therefore will have a conditional guarantee for a specific amount of funding. If it has participated in one or two of the programs, but not all three, its conditional guarantee will cover only the program(s) in which it has participated. It will know this amount before it files its application for funding.

To apply for the funds covered by its conditional guarantee, an institution need only file its fiscal-operations report for 1977-78 (if it had funds for that year) plus an abbreviated application stating its request in each program. First-time applicants and those who had no funds for 1977-78 may file the application form only.

To receive more funds than its conditional guarantee, the institution must file the additional data discussed below in the description of fair shares.

The amount of funding an institution eventually receives may be lower than the amount of its conditional guarantee. There may not be enough money available either in the appropriation nationally or in the funds available for a particular State to honor all conditional guarantees fully. In that case reductions in funding will be made. The amount of reduction may vary State by State and program-by-program because of the operation of the various statutory State allotment/apportionment formulas.

To determine whether the conditional guarantees can be honored in full, the Commissioner will total them nationally and by State and compare those totals with the funds available. If available funds are sufficient to honor all conditional guarantees, they will be honored. Otherwise they will be reduced by the amount necessary to make them equal the amount of available funds.

If available funds exceed the amount of the conditional guarantees, the excess funds will be given to those institutions whose fair shares exceed the amount of their conditional guarantees.

CALCULATION OF FAIR SHARES

The Office of Education will compute by formula an institution's fair share of each appropriation. To have its fair share computed, an institution must supply the actual, verifiable date elements needed to perform the necessary calculations. Those data elements are defined in some detail in section 6 of the three regulations and are discussed further below under "Factors used in the formulas." One formula will be used for SEOG, a second one for NDSL and CWS.

Expressed in simple terms, SEOG need equals 70 percent of cost minus EFC and gift aid. Stated another way, if gift aid funds available to applicant undergraduate students plus their expected family contribution total less than 70 percent of their costs, the institution will be considered to have a need for SEOG funds.

That "need" will then be split between initial year (IY) funds and continuing year (CY) funds in the same proportion as the institution's requests in those two categories. For example, if the institution requests $100,000 in IY funds and $200,000 in CY funds and is determined to need $150,000 total in SEOG funds, that total will be divided between IY and CY in the proportion of 1:2, which would amount to $50,000 in IY and $100,000 in CY.

To determine an institution's fair share of the IY anbd CY appropriations, the amount of need for all applicant institutions for IY and CY funds will be divided by the total need for those funds to compute that institution "IY index" and its "Cy index." Those indexes will be multiplied by the appropriations for initial and continding funds to determine the institution's fair share of those funds. If the institution does not supply the figures needed to make these computations, its fair share of the available funds will be assumed to equal its conditional guarantee.

The "self-help" formula to be used for CWS and NDSL considers both undergraduate and graduate students. The formula totals need for self-help among undergraduates plus need for self-help among graduate students. Self-help is the amount of funds a student receives from work or from loans.

Since 70 percent of undergraduate costs have already been considered in determining an institution's SEOG index, only 30 percent of undergraduate costs will be considered in determining the need for self-help among undergraduates. Need for self-help among undergraduates. Need for self-help at an institution is computed by adding the need for self-help among the various income-level categories of students attending the institution.

Specifically, for each undergraduate income cell (all of which are displayed in section 6 of the proposed regulations), need for self-help equals the lesser of (1) 30 percent of cost, or (2) cost minus expected family contribution (but not less than zero). As an example, suppose at one institution the average undergraduate cost is $4,000 and the expected family contribution (EFC) is $2,500 per student in one income cell. The per capita need for self-help funds is the lesser of (1) 30 percent of the cost, which is $1,200 (30 percent of $4,000), or (2) cost minus EFC, which is $1,500 ($4,000 minus $2,500). Since $1,200 is less than $1,500, the per capita need for self-help in that cell will be considered to be $1,200. If for another income cell the EFC is $3,900 per student, the per capita need for self-help funds is the lesser of (1) 30 percent of cost ($1,200), or (2) cost minus EFC ($100) or $100. Finally, if the EFC in a cell is $5,000 per student, the per capita need for self-help is zero.

For graduate students 100 percent of cost will be considered in determining the need for self-help funds. Thus, for each graduate student income cell the per capita need for self-help funds will be cost minus EFC (but not less than zero). An institution's total need for self-help funds is the sum of undergraduate and graduate need for those funds. An institution's self-help index will be computed by dividing its need for self-help funds by the total need of all institutions, nationally, for those funds.

The institution's fair share of the CWS appropriation will be calculated by multiplying the CWS appropriation by its self-help index. If the institution does not file the information needed by the Office of Education to make this calculation, its fair share will be assumed to equal its conditional guarantee.

For the NDSL program, each institution will receive a fair share of the amount available for lending in 1979-80. Funds available for lending include collections, other Fund income, and reimbursements of cancelled Direct loans as well as the appropriation and the matching institutional capital contributions. This amount will be multiplied by the institution's self-help index to give the institution's total approved level of expenditure (LOE), which is its fair share of the total funds available. If the institution does not file the information the Office of Education needs to compute its fair share of available funds, its LOE will be considered to equal its conditionally guaranteed amount.

The amount of new Federal capital contribution for any institution will be derived from its LOE, by subtracting from that amount its projected collections, other Fund income, and Federal reimbursements to its Fund of Direct Loans cancelled by its borrowers. The difference obtained by making that subtraction will be multiplied by 90 percent to determine its Federal Capital Contribution.

Institutions can expect the full amount of their calculated FCC if they can fulfill one of the following three requirements:

(1) The institution's default rate is less than 10 percent;

(2) The institution's default rate is more than 10 percent, but the number of loans made by that institution which are in default for less than 2 years on June 30, 1978, are at least 10 percent less than the number of loans made by that institution and in default for less than 2 years on June 30, 1977;

(3) The institution's default rate is more than 10 percent, but the institution can document, under § 144.7, that it has exercised due diligence as set forth in Subpart C of the NDSL regulations published in the FEDERAL REGISTER of November 24, 1976, for the past 2 award years.

NOTE.—*See Subpart C—Loan Collection—Due Diligence*, attached as an appendix to this NPRM.

In projecting an institution's collections, the Commissioner will consider its default rate. If its default rate is 10 percent or below, its collections will be projected by multiplying its actual 1977-78 collections by 121 percent. If its default rate is greater than 10 percent, it will be expected to increase its 1977-78 collections by 121 percent plus the excess overdue amount.

The excess overdue amount will be computed as follows: First, the Commissioner will determine the amount of defaulted loans which would equal a 10 percent rate. This will be done by multiplying the total amount of matured loans by 10 percent. Second, the Commissioner will determine the ratio between this amount and the unpaid principal balance of defaulted loans, which the institution will report on line IIC6.8E of its fiscal-operations report. Third, this ratio will be subtracted from one. Fourth, the principal amount past due on defaulted loans (which is reported on line IIC6.8F) will be multiplied by this difference to determine the excess overdue amount.

As an example, suppose that an institution's Loan Fund has matured loans totalling $1,000,000. Further suppose that the unpaid principal balance of defaulted loans reported by the institution on line IIC6.8E of its fiscal-operations report equals $150,000. Then suppose that the past-due principal amount in line IIC6.8F of the institution's fiscal-operations report is $90,000. Using these figures, the institution's excess overdue amount would be calculated as follows:

1. Ten percent of $1,000,000 equals $100,000.
2. The ratio of $100,000 to $150,000 equals ⅔.
3. One minus ⅔ equals ⅓.
4. One-third times $90,000 equals $30,000, the excess overdue amount.

SHIFTING FUNDS IN SELF HELP PROGRAMS

A procedure will be established to accommodate those institutions filing under Part B which wish to shift a portion of funding from one self-help program to another.

In situations where the institutional formula generates a potential level of NDSL or CW-S funding in excess of that requested by an institution, this excess will be "brokered" (within the Office of Education funding process) with other institutions. For example, if the Self-Help formula provides a CW-S recommendation which exceeds the maximum amount requested in that program, the difference will be put into an "excess" CW-S pool. Assuming that the institution's need for NDSL funds has not been fully met, each of these institutions will have its NDSL (FCC) recommendation increased by money in the "excess" NDSL (FCC) pool times its proportionate contribution to the "excess" CW-S pool. Similarly, other institutions may have their CW-S recommendation increased by the money in the "excess" CW-S pool times the proportionate contribution to the "excess" NDSL pool.

In this manner, shifting of funds by one institution between programs may be possible but no other institution needing those funds will be adversely affected. Shifting of self-help funds into SEOG will not be permitted.

FACTORS USED IN THE FORMULAS

There was considerable public confusion concerning the meaning of various terms used in the formulas recommended by the panel of experts, as those formulas were explained in the *BSFA Bulletin*. We are therefore offering the following clarification of the terms used in this proposal.

"Undergraduate costs" and "graduate student costs" will be computed as follows:

First, the institution will determine the number of "applicant students" in each category and report those numbers to the Office of Education. The institution will do this by counting the number of undergraduate and graduate students from whom it received completed applications for financial aid for 1977-78 (or comparable information in another form) and subtracting from these numbers the number of students who did not meet the requirements of (a) being a citizen or permanent resident of the United States and (b) being enrolled as at least a half-time student in an eligible program.

Second, the institution will tell the Office of Education its total tuition and fee revenue from all undergraduate students and its total tuition and fee revenue from all graduate students and the total numbers of those students. Using these numbers the Office of Education will compute the institution's average tuition and fee revenue per undergraduate student and its average tuition and fee revenue per graduate student. The Office of Education will then multiply these averages by the number of applicant students in each category to determine the total amount of tuition and fee revenue from applicant students in each category.

Third, the Office of Education will multiply the number of applicant students in each category by a single national average figure for living expenses plus books and supplies. The living expenses figure used will be the Basic Grant family size offset for 1977-78 for single persons, multiplied by three-fourths to cover 9 months rather than 12. For the 1979-80 application the living expense figure used will be $2,250. The Office of Education will add $200 to this figure for books and supplies.

Fourth, the Office of Education will add together the amounts it computes for total tuition and fee revenues from applicant students and for their living expenses and books and supplies to determine their total costs. This will be done separately for undergraduate and graduate students.

A number of commenters objected to the use of a single national figure for living expenses and suggested other figures they considered to be more sensitive to local variations in the cost of living. These recommendations were not accepted. The most "local" of the readily available published cost of living figures are the Department of Labor's figures for standard metropolitan statistical areas (SMSA's). The variation of living costs within each SMSA is at least as great as the difference between the least expensive and the most expensive SMSA. Therefore using the cost of living figures for SMSA's would not eliminate the inequity identified by the commenters.

"Expected family contribution" will be computed by the Office of Education. To do this, the Office of Education will multiply the number of students reported by the institution in each family income category by the national average expected family contribution for that income category. The Office of Education is considering two different alternatives for computing these averages. One alternative is to use data furnished us by the major private need analysis services and their method of computing expected family contributions. The other is to use the 1979-80 family contribution schedule for Basic Grants, which is currently under development, and Basic Grant data.

For the SEOG formula, "gift aid" is defined as including Basic Grants and State scholarships and grants plus all the categories of gift aid used by the institution in determining its maintenance of effort figures for CWS and SEOG. The amount to be deducted from cost will be 100 percent of the grant and scholarship funds received by the institution's students during 1977-78 from Basic Grants and from State scholarships and grants, plus two-thirds of the other scholarships and grants paid out by the institution during that year. The same State and institutional figures will be used for all of the later years of the new process. They will not be recomputed from year to year to reflect increased expenditures for scholarships and grants in later years either by the State or by the institution. This is being done in response to several commenters who objected that deducting State and institutional scholarships and grants from costs to determine the amount of Federal funds an institution will receive is unfair to those States and institutions which have made greater efforts than others to aid their needy students, often at considerable sacrifice to themselves. Some of these commenters complained that the recommended procedures would move funds out of their States to other States whose financial aid programs have been less commendable.

Since funds for the campus-based programs are allotted among the States by statutory formula, the amount of funds being reallotted from one State to another will be minimal. Furthermore, the Office of Education will be using a permanent base year (1977-78) to determine the amount of State and institutional gift aid it will deduct from costs. As a result institutions and States may increase their scholarship and grant expenditures without fear of losing future Federal funds.

On the other hand, the campus-based programs are not intended to replace State and institutional funds. That is the very meaning of the statutory requirement for maintenance of effort in the SEOG in CWS programs. Also, some institutions and States are much richer than others and therefore better able to provide scholarships and grants to their students. It would not be fair to ignore these differences in ability to pay. For both these reasons State and institutional expenditures for scholarships and grants must be considered. Using 1977-78 as a permanent base year accomplishes this purpose with a minimum of undesirable side effects.

"State scholarships and grants" include funds given by a State on a case-by-case basis to individual students. They do not include the "implicit" scholarships given to all students in public institutions in the form of low tuition and fees.

OTHER COMMENTS

A number of commenters objected to implementing these proposed changes for the application which they must file in October 1978. They stated that the Office of Education is not giving them enough leadtime to collect the new information that will be required.

If an institution is not able to file these new figures, it will still receive its conditional guarantee, but it may not apply for an amount greater than its guarantee. Thus an institution's inability to supply these figures will not keep it from receiving funds but will prevent it from receiving any increase.

A few commenters objected to basing an institution's conditional guarantee on its actual expenditures or use rate in 1977-78, because that 1 year could have shown an abnormally low use, for a number of good reasons. Several other commenters objected to the fact that the recommendations made by the panel of experts did not include provisions to increase funding levels for inflation.

In response to these commenters, it should be noted that any institution, even one with a low use rate, may request additional funding and have the Office of Education compute its fair share. If an institution's fair share exceeds its conditional guarantee, it will share in any funds that remain available after all conditional guarantees have been funded. Any additional amount an institution receives as its fair share may or may not be enough to compensate for the amount of inflation it has experienced, much of which may be reflected in increased tuition and fees. However, these programs are not intended to help an institution increase its tuition and fees. In fact, proprietary institutions may not, by statute, increase their tuition and fees as a result of the aid their students receive under these programs.

Several commenters complained that the recommendations made by the panel of experts discriminated against independent students. Others complained that the recommendations would prevent an institution from shifting a portion of its CWS award to its SEOG award and *vice versa*, which is permitted by statute.

Both of these commenters appear to misunderstand the recommendations. An institution's fair share will be calculated by using an average living cost for single students. Independent students frequently have dependents. No allowance is made in the computations for those dependents. On the other hand, no deduction is being made for students whose living costs are lower than average, such as students who live in their parents home. We are not proposing to forbid an institution to consider an independent student's full living costs in computing that student's individual need, even though the Office of Education does not take them specifically into account in computing the institution's fair share. We are also not proposing to amend the statute to forbid an institution to shift a portion of its SEOG award to its CWS award and *vice versa*.

A number of commenters objected to the fact that the panel of experts recommended that Regional Panels should be abolished. These commenters believed that it is desirable to use a "human element" in evaluating applications and that the recommended process is excessively mechanized.

In response to these commenters we must state that the previous application procedures were tried for a number of years and failed to distribute funds fairly among all institutions, despite the fact that those procedures relied heavily on use of the "human element."

Several commenters claimed that the effect of the recommended changes would be to shift funds from low-cost schools to high-cost ones and therefore from disadvantaged students to students from middle-income families.

It should be emphasized that the only funds shifted under the proposed system will be those above the conditional guarantees. Each institution will continue to receive the amount of funds it has been spending. The formulas will only distribute funds above the conditional guarantees.

Preliminary computer simulations indicate that these additional funds are not likely to be distributed proportional to current funding. These simulations do not indicate an overall shift from low-cost to high-cost schools or *vice versa*. Rather, funds will be shifted from some low-cost schools to others and from some high-cost schools to others, reflecting the inequities in the old system.

We do not believe that our proposal will penalize disadvantaged students. If they are in low-cost institutions, Basic Grants will pay up to half their costs. Campus-based funds can be used to pay the remaining half of costs. If they are in high-cost institutions, their Basic Grants will not pay as much as half of their costs, because those costs are greater than $3,600, and a Basic Grant may not exceed $1,800. At a high-cost institution a student from a low-income family needs much larger amounts of campus-based funds than he or she would at a low-cost institution. These factors are all considered in the formulas.

The Office of Education used a survey to decide that 70 percent of undergraduate costs should be met with gift aid and family contributions. One commenter claimed that the survey is unreliable.

In response to this commenter, the Office of Education acknowledges that all surveys are fallible. For the purpose of this fund-distribution procedure, however, it is not essential that the survey data be absolutely accurate. The survey was adequate to show that nationally the share of need met with gift aid is between two-thirds and three-fourths of need. This is true in all categories of institution, both low-cost and high-cost. It is plainly apparent that it is not fair to give some institutions enough SEOG funds to enable them to meet the full need of all their needy students with gift aid, while other institutions are not able to do so. This would give the favored schools a competitive advantage. Therefore a value judgment has been made that SEOG funds will be restricted to those institutions which cannot meet approximately 70 percent of their students aggregate need with gift aid. This figure may be changed in the final reguation as additional facts become known concerning the amount of the appropriation and other pertinent factors.

One commenter observed that the recommended changes would encourage grantsmanship by the "numbers gameplayers."

In reply to this commenter it must be stated that all the data which institutions furnish to the Office of Education under these new procedures will be audited. The HEW Audit Agency's audit guidelines will be amended to require the institution's independent auditors to verify these numbers as part of the audit procedure now required by all three of the campus-based programs.

VERIFICATION OF ESTIMATED INCOME DATA

The verification proposal in section 16 is not related to the changes being made in the institutional application process and the consequent changes being made in the methods of distributing funds among the States and among the institutions within a State. It is being included in this Notice of Proposed Rule Making only to avoid issuing a separate Notice.

Studies have shown that families make errors when they file application for financial aid using estimated income data for a year which has not yet been completed. Lower-income families tend to believe that they will make more money than they actually do. Higher-income families believe the opposite. To avoid these problems, the Office of Education is proposing that no campus-based funds may be disbursed to a student whose need has been computed using estimated data submitted before January 1. Institutions may continue to accept applications before January 1, but they must verify the estimates before disbursing campus-based funds. They may do this by requiring families which apply before January 1 to submit a copy of their Federal income tax form 1040 which proves that their proves that their estimate of income data was correct. If the estimate was not correct, the institution must make the appropriate adjustments in need analysis. Verification of data on applications submitted after January 1 is optional with the institution.

RECOMMENDATIONS OF THE PANEL OF EXPERTS

For the convenience of those readers who may not have seen the June 1978, *BSFA Bulletin*, we are repeating the substance of the recommendations made by the panel of experts. The earlier part of this preamble responds to the public comment we received on those recommendations.

PART I—BACKGROUND

During the summer of 1977, nine experts on student financial aid and related areas were asked by the Commissioner of Education to review the process by which Federal student assistance funds are awarded to institutions. He asked that recommendations be made toward improving the process for funding those institutions participating in the National Direct Student Loan (NDSL), College Work-Study (CW-S), and Supplemental Educational Opportunity Grant (SEOG) programs. The appointment of this Panel was prompted by recommendations made by the Student Financial Assistance Study Group, the General Accounting Office, and members of the financial aid community.

CRITICISM OF THE PRESENT FUNDING PROCESS

There has been growing agreement that the current funding process is inequitable, overly complex, and too time consuming. The funding process includes the following elements, some of which are based upon legislation, while others are based upon regulations:

1. The institutional application process.
2. A review and appeal process culminating in a recommended level of funding.
3. Establishment of a nationwide level of available funds.
4. Establishment of the available level of funds for the eligible institutions in each State including consideration of the statutory State allotment formulas, the regulatory Commissioner's discretionary 10 percent funds, and the level of recommended funding in each State.
5. The finalization of an award letter for each eligible institution.

The application process for campus-based funds has undergone many changes since 1970. In spite of the changes, however, the application process and the review and appeal process have required an inordinate amount of time on the part of institutions and OE staff. Up until 1977 when the application was developed for use by continuing institutions, funding decisions were based on unaudited projected figures which served to encourage grantsmanship.

The entire funding process is complicated by inflexible State allotment formulas which differ among the three campus-based programs in seemingly random and inconsistent ways. Furthermore, these statutory formulas have enrollment as their primary ingredient, and thus they bear little relationship to the actual financial need in a State. The present regulatory method of assigning the Commissioner's discretionary "10 percent funds" has ameliorated some of the problems of the rigid statutory formulas, but it has also encouraged grantsmanship.

PART II—OPERATING ASSUMPTIONS

The Panel has developed and agreed to a number of operating assumptions which must be a part of the new funding process.

1. *Phase in:* Any new funding process must be phased in over a period of years to prevent sudden and precipitous dislocations of funds.
2. *Streamlined process:* The funding process must be sufficiently streamlined to permit the mailing of institutional award letters as early as possible but not later than January. This implies that the Panel Review process will no longer exist in its present form.
3. *Standard measurements of need:* Data collected during the application process must allow a standard measurement of relative institutional financial need. The ability to make standard measurements implies that data must be actual (historical), verifiable, and auditable. Furthermore, the data must be compatible to the extent possible, with other Federal requests.
4. *Use of the data:* (a) The data collected during the application process must be computerized, edited, and made available in a very short time frame for funding decisions. (b) The data must also be available for the development of a nationwide Date Base which will allow the evaluation of future funding alternatives.
5. *Reduction of forms:* The Fiscal-Operations Report and the Tripartite application must be combined to assure that data will be available on time and to eliminate present duplication in the forms. (FISAP Report)
6. *Timing:* The appropriation process must precede the application process so that exact dollars available will be known at each step on the new funding process.
7. *Inclusion of unutilized funds:* Funds distributed in a new funding process must include not only new appropriations, but also, to the extent possible, unutilized funds from the prior year.
8. *Ease of administration:* There should be liberalized opportunities to transfer funds between the campus-based programs once they have been allocated. Furthermore, the distinction between Initial Year and Continuing Year SEOG authorizations should be eliminated.
9. *Changing the formulas and the assignment of the 10 percent funds:* The State allocation formulas and the present method of assigning the discretionary 10 percent funds are inequitable and should be changed. The changes are generally seen as long-range changes, although some portion

of the 10 percent funds might be used to assist institutions stressed over the introduction of a new funding system.

10. *Differentiate grant aid from self-help:* The funding process should use a different conceptual framework for assigning SEOG funds than that used for assigning funds in the self-help programs of NDSL and CW-S. It is acknowledged that there is a great demand for grant assistance. It is difficult for very needy students to borrow enough or work enough to meet their educational costs, particularly at higher cost institutions.

11. *Peer involvement:* (Formerly the Panel Process) will be confined to an evaluative role of the Funding system and to the national appeal Process.

PART III—THE NEW FUNDING PROCESS

Based on its Operating Assumptions, the new process will be implemented in several phases. It is designed to use the strengths of the current interim funding system as well as to provide needed changes.

PHASE I—(EFFECTIVE FALL 1978 FOR 1979-80 AWARD YEAR)

PART A

An institution applying under Part A will be awarded funds in one or more of the campus-based programs based on the amount it is expected to use in the current year. (1978-79 award in each program multiplied by the percentage of the 1977-78 award used during 1978). This is similar to the formula Limit Concept used in the Fall of 1977. Adjustments will be made for cash carryover and collections of the NDSL program. All information needed will be taken from the FISAP report. Funding levels will, in general, be held relatively constant. Available funds not used to fund Part A will be held for use in funding Part B. No modification will be made in Part A because of an enrollment change or inflation. There will be no shifting of a portion of the request between programs in Part A.

Institutions Participating for the First Time in 1978-79

In the case of institutions receiving awards for the first time in 1978-79, 100 percent utilization will be assumed and recommendations under Part A will be equal to 1978-79 award levels. Such an institution may also apply under Part B. (See below)

PART B

Institutions wishing a greater level of funding than that permitted under Part A will be required to submit a minimal amount of additional data[1] on the combined Fiscal Operations Report and Tripartite Application (FISAP). A funding level under Part B will be calculated for each applicant institution with the use of formulas developed for the purpose of providing a standard measurement of institutional need. The formula to be employed for the self-help programs of NDSL and CW-S is different from the formula to be employed for the SEOG program. Those Part B institutions whose need, program by program, has not already been met under Part A will be awarded an additional sum based upon a formula produced institutional index and the sum remaining in each program after part Part A funding levels have been set. If additional funding becomes available, these new funds will be used to proportionately increase allocations under Part B.

NEW INSTITUTIONS

Institutions which will be participating for the first time in 1979-80 will submit those items required of Part B filers. Data used to measure institutional need will be derived from cumulative Student Eligibility Report data available through the filing of applications in the BEOG program. A number of additional questions on enrollment will be included on the FISAP for use of newly applying institutions only.

Testing the Formulas

It is assumed that the possible availability of additional dollars under Part B will persuade a substantial number of institutions to provide the Office of Education with Part B data. This data base will, in turn, permit the testing, validating, and notification of the formulas prior to Phase II of the process at which time all institutions will be required to file Part B information. Since the formulas have been designed to produce standard measurements of financial need, one of the criteria used to evaluate the formulas will be the effectiveness with which financial need is measured at institutions with various cost and with various levels of non-campus-based financial aid programs.

PHASE II (EFFECTIVE IN THE FALL, 1979, OR AT SUCH TIME AS FORMULAS HAVE BEEN SUFFICIENTLY TESTED AND DETERMINED TO PRODUCE EFFECTIVE RESULTS)

PART A

Institutional funding levels will be calculated in a manner similar to Phase I, Part A. However, institutions will be awarded no more than x percent (perhaps 90 percent) of their current funding level multiplied by the previous years' utilization percentage. Therefore, all else being equal, a higher level of funds will be available for the funding of Phase II, Part B, than were available for Phase I, Part B.

PART B

All institutions will be required to submit the information described under Phase I, Part B, and these data will be used to test the institution's need for further funds to supplement the amount available under Part A. Thus, the formulas which will have been developed will play an increasingly important role in the assignment of funds to institutions.

PHASE III

PART A

Institutional funding will again be calculated in a manner similar to Phase II, Part A; however, the percentage protection of the previous level of utilization will decrease.

PART B

Part B will be similar to Phase II, Part B, with the exception that repeated data collection will only be necessary periodically, and may not be necessary for all data elements. Since the percentage protection of the previous level of funding has decreased in Phase III, Part A, the formulas will continue to play an increasingly important role in the assignment of funds to institutions.

How the System Will Work in 1978 (for the 1979-80 Award Period)

All institutions which have participated previously as well as newly applying institutions will be supplied with a new form, the FISAP (Fiscal Operations Report—Funding Application). Information requested in that report will be essentially the same information as that previously requested on the Fiscal Operations Report. It will include an additional short section to be completed by institutions wishing funding greater than previously utilized amounts (Part B) and those institutions applying for the first time.

Institutions will be given the option of applying for Part A only or additionally applying for Part B funds. If they apply for Part A only, they will have completed their request at the time they complete the Fiscal Operations Sections of the FISAP and the section requesting funds for the coming year. New institutions will not complete the Fiscal Operations Sections of the FISAP.

All FISAP's will be mailed to the OE Central office and put through a machine edit. The edit print-out of tentative Part A recommended levels will be mailed to the institutions with instructions on how to make corrections. A copy will also be mailed to the Regional Office. Institutions will be responsible for resolving errors. Regional Office assistance will be available in the most difficult of cases, and corrections will be forwarded directly to the OE Central Office for Keypunch.

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[1] Funds requested in each of the campus-based programs, total tuition and fee revenues, headcount enrollment, BEOG award level, State Grants and Scholarships, institutionally administered grants and scholarships, and the number of enrolled students in various categories of family income.

With the assistance of a software program designed for this purpose, State totals in each program will be derived and compared with sums available. Remaining sums will be used to satisfy Part B requests or whatever portion of those requests is possible. A set of formulas which measure relative need for Federal funds will be used to derive two measurements of need for each Part B applicant (one measurement for the SEOG program and one measurement for the Self-Help programs).

Institutions will be sent information on dollar recommendations made under Part A from the OE Central Office. If they have completed Part B, they will be informed of the recommended amount (if any) which will be available to them under Part B.

Since there will be no individual judgment exerted on these decisions, no Regional Panel will be used for the review.

Shifting in Self-Help Programs

A procedure will be established to accommodate those institutions filing under Part B which wish to shift a portion of funding from one self-help program to another.

NDSL Defaults

At the present time the Bureau is considering several approaches which would incorporate the NDSL default record into the Part A and/or Part B funding process. Comments will be welcomed regarding whether and how NDSL defaults should be incorporated in the funding process.

PART IV—THE FORMULAS—HOW THEY WORK

A. SEOG FORMULA

The SEOG formula = 70 percent × cost − (EFC + BEOG + State Grant Aid + Institutional Grant Aid)

(70 percent was chosen because it represents the approximate average amount of nonreturnable aid received by students in all types of institutions.[1]) The terms in the formula are defined below along with the data sources which will be utilized.

(i) *Cost.* The term "Cost" is meant to reflect the aggregate cost of attendance of undergraduate applicants enrolled at the institution and will consist of tuition and fee costs and living costs. Tuition and fees will represent the total tuition and fee revenues from all undergraduates at the institution in 1977-78.

Living costs are equal to: 0.75 (Social Security annual budget for an individual) × total headcount undergraduate enrollment. The ".75" factor reflects a 9-month average school year compared to the 12-month living cost of the Social Security budget.

Total undergraduate tuition and fee revenues and total undergraduate living costs will be added together in order to obtain total undergraduate costs. In order to obtain the "Cost" figure for enrolled applicants, which will be used in the formula, the following calculation will be made by OE:

Enrolled undergraduate applicants over Total undergraduate headcount enrollment × Total undergraduate costs = the total "Cost" for enrolled undergraduate applicants. Example: An institution with an undergraduate headcount enrollment of 2,000 has 1,000 enrolled undergraduate applicants. If that institution's total undergraduate costs are $10 million, then their calculation would be:

Total Cost of Enrolled Undergraduate Applicants = 1,000/2,000 × $10,000,000 = $5,000,000

(ii) *Total expected family contribution (EFC).* Institutions will be requested to provide the number of enrolled applicants[2] by income level, dependency status (dependent-independent), and academic level (undergraduate-graduate[3]). (See chart in section 6 of the proposed regulation.) Based upon these data the Office of Education will calculate the total EFC for each income category based upon current need analysis methodology.

The sum of the total EFC's for each income category of undergraduates represents the value of "EFC" to be used in the SEOG formula.

(iii) *BEOG.* The term "BEOG" refers to total Basic Grant funds received by students at the institution in 1977-78. In future years it is expected that BEOG data will be provided by USOE, rather than by institutions.

(iv) *State grant and scholarship aid.* The Panel recommended defining State Grant Aid to be the sum of all State scholarships and grants for undergraduates for the academic year 1977-78. This amount would be held constant for future funding cycles to prohibit it becoming a disincentive for States to expand scholarship and grant programs.

(v) *Institutional grant and scholarship aid.* The Panel recommended defining Institutional Grant Aid as 70 percent of the grant and scholarship component of the institutional maintenance of level of effort for fiscal year 1977-78. This amount would be held constant for future cycles to prohibit it becoming a disincentive for institutions to expand scholarship and grant programs.

HOW THE FORMULA WILL WORK

The procedure for determining recommended levels (IY and CY) for Part B filers is:

1. Estimated need for SEOG will be computed as follows: 70 percent × Cost − (EFC + BEOG + State Grant Aid + Institutional Grant Aid)

2. A Relative National Index (RNI) will be calculated for each institution as the ratio of that institution's formula-determined need to the sum of the need for all institutions. This Relative National Index will then be split in proportion to the institution's request for IY and CY funds.

Example: If an institution requests $30,000 in IY funds and $70,000 in CY funds, its Relative National Index for IY funds will be 30 percent of its overall RNI and its Relative National Index for CY funds will be 70 percent of its overall RNI.

3. The Relative National Index for IY and CY funds multiplied by the corresponding IY and CY SEOG appropriation will equal the institutional Fair Shares of the available IY and CY SEOG funds.

Example: If an institution's Relative National Index for IY funds is .001 and the IY SEOG appropriation for that year is $150,000,000 that institution's Fair Share of IY SEOG funds is determined by:

Fair Share SEOG (IY) = $150,000,000 × .001 = $150,000

4. The amount the institution is scheduled to receive under Part A may be equal to, less than, or greater than that institution's Fair Share. If it is equal to or greater than the Fair Share, then it represents the maximum grant for that institution for that year.

5. If additional funds are available for Part B, they will be distributed based upon the relative amount by which the institutional Fair Share exceeds the amount the institution is scheduled to receive under Part A.

Example: If institution No. 1 has a Fair share of SEOG IY funds of $150,000 and its Part A recommendation is $100,000 then that institution's shortfall of Part A of Fair Share is $50,000. If institution No. 2 has a shortfall of Part A to Fair Share of $25,000 then institution No. 1 would receive twice as much Part B funds as institution No. 2.

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[1] Cooperative Institutional Research Program: Higher Educational Research Institute (Fall 1975).

[2] Enrolled applicants are students enrolled at least half-time in an eligible program, who meet the program requirements for citizenship and whose family income, dependency status, and academic level are known to the institution.

[3] Only data for undergraduate students will be included in the calculation of the SEOG Index. Undergraduate and graduate data will be utilized in the CW-S and NDSL programs.

B. SELF-HELP FORMULA (CW-S AND NDSL)

The Panel recommended one Self-Help formula to be used for both CW-S and NDSL allocations.

Self-help formula = (undergraduate "cost"—total undergraduate EPC)[4] + (graduate "costs"—total graduate EPC)[5]

The Self-Help formula represents the need for all loans and work, both federally subsidized and others, rather than just the need for CW-S and NDSL.

HOW THE SELF-HELP FORMULA WILL WORK FOR THE CW-S PROGRAM

1. A Relative National Index (RNI) will be calculated for each institution as the ratio of that institution's formula-determined need to the sum of the need for all institutions.

2. The Relative National Index multiplied by the CW-S appropriation will equal the institutional Fair Share of the available CW-S funds.

3. The amount the institution is scheduled to receive under Part A may be equal to, less than, or greater than that institution's Fair Share. If it is equal to or greater than the Fair Share, then it represents the maximum employment for that institution for that year.

4. If additional funds are available for Part B, they will be distributed based upon the relative amount by which the institutional Fair Share exceeds the amount the institution is scheduled to receive under Part A.

HOW THE SELF-HELP FORMULA WILL WORK FOR THE NDSL PROGRAM

1. A Relative National Index will be calculated for each institution as the ratio of that institution's formula determined need to the sum of the need for all institutions.

2. The Relative National Index multiplied by the national pool of funds to be lent[6] equals the institutional Fair Share of NDSL funds.

3. The level of expenditures under Part A may equal to, less than, or greater than that institution's Fair Share. If it is equal to or greater than the Fair Share, then it represents the maximum level of expenditures.

4. Institutions FCC will be calculated by subtracting its collections and reimbursements from its Part A level of expenditures.

5. If additional funds are available for Part A, they will be distributed based upon the relative amount by which the institutional Fair Share exceeds the amount of the level of expenditures under Part A.

SHIFTING FUNDS IN SELF-HELP PROGRAMS

In situations where the institutional formula generates a potential level of NDSL or CW-S funding in excess of that requested by an institution, this excess will be "brokered" (within the Office of Education funding process) with other institutions in the State. For example, if the Selp-Help formula provides a CW-S recommendation which exceeds the maximum amount requested in that program, the difference will be put into an "excess" CW-S pool. Assuming that the institution's need for NDSL funds has not been fully met, each of these institutions will have its NDSL (FCC) recommendation increased by money in the "excess" pool times its proportionate contribution to the "excess" CS-S pool. Similarly, other institutions may have their CW-S recommendation increased by the money in the "excess" CWS pool times the proportionate contribution to the NDSL pool.

In this manner, shifting of funds by one institutions between programs may be possible but no other institution needing those funds will be adversely affected. Shifting of self-help funds into SEOG will not be permitted.

Dated: August 23, 1978.

ERNEST L. BOYER,
U.S. Commissioner of Education.

Approved: October 27, 1978.

JOSEPH A. CALIFANO, Jr.,
Secretary of Health,
Education, and Welfare.

(Catalog of Federal Domestic Assistance No. 13.471 National Direct Student Loan; 13.463 College Work Study; and 13.418 Supplemental Educational Opportunity Grant.)

PART 144—NATIONAL DIRECT STUDENT LOAN PROGRAM

1. Sections 144.3, 144.4, 144.5, 144.6, 144.7, and 144.16(i) of Part 144 of Title 45 of the Code of Federal Regulations are amended to read as follows:

§ 144.3 Apportionment and reapportionment of Federal capital contributions to States.

(a) *Apportionment.* (1) Ninety percent of the funds appropriated for Federal capital contributions will be apportioned in accordance with section 462(a)(1) of the act.

(2) After apportioning funds under subparagraph (a)(1), the Commissioner will apportion the remaining funds so that each institution in each State receives the amount of Federal capital contributions calculated under §§ 144.6 or 144.7.

(b) *Reapportionment.* If the apportionment to a State under paragraph (a) exceeds (1) the total amount of approved requests for Federal capital contributions of institutions in that State and (2) the amount to be transferred to carry out the State Student Financial Assistance Training Program under paragraph (c), the excess will be reapportioned. The Commissioner will reapportion those funds among the States according to the need for Federal capital contributions of institutions in each State as calculated under §§ 144.6 or 144.7.

(c) *Amounts to be transferred to the State Student Financial Assistance Training Program.* (1) The Commissioner may transfer an amount equal to .05 percent of a State's apportionment determined under paragraph (a) of this section, or $10,000, whichever is less, to that State under the State Student Financial Assistance Training Program authorized under Section 493C of the Higher Education Act of 1965, if the State has submitted an approved application.

(2) Funds reserved for transfer to the State Student Financial Assistance Training Program, which have not been granted to the appropriate agency by the end of the fiscal year for which appropriated, will be returned to that State's apportionment. The Commissioner may allocate this amount on an equitable basis to one or more institutions in that State.

(20 U.S.C. 1087bb and 1088b-3.)

§ 144.4 Allocation, reallocation and payment to institutions.

(a) When funds available within a State for Federal capital contributions are less than the amount of funds requested by institutions in that State, the funds will be distributed as set forth in § 144.6. However, allocations to proprietary schools may not exceed the difference between $190,000,000 and the amount appropriated for Federal capital contributions. If the allocations to proprietary schools would exceed that difference, the allocations to those schools will be reduced on a pro rata basis to the appropriate amount.

(b)(1) If an institution anticipates that it will not lend all the money allocated to it by the end of an award period, it must notify the Commissioner of the amount it does not expect to use. The Commissioner will reduce the institution's allocation accordingly.

(2) When enough Federal capital contributions become available for reallocation to make a significant increase in the amount of Federal capi-

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[4] "Undergraduate cost—total undergraduate EPC" cannot exceed 30 percent of cost since it is assumed that 70 percent of undergraduate costs are being met by EPC and other assistance. Undergraduate need cannot be less than zero.

[5] "Graduate Cost—Total Graduate EPC" cannot be less than zero.

[6] FCC, ICC, Collections, and Reimbursements to the NDSL Fund.

tal contributions that can be awarded to other institutions in a State that have a need for those funds, the Commissioner will reallocate those funds on a pro rata basis to those other institutions.

(c) The Commissioner will make new Federal capital contributions available for a specific period of time. Funds will be paid to the institution in advance or by way of reimbursement, based on periodic fiscal reports.

(20 U.S.C. 1087bb.)

§ 144.5 Application.

(a) An institution that wishes to make loans under this program must file an application with the Commissioner for an approved level of expenditure before an annually established closing date. The application may request Federal capital contributions.

(b) The application must be on the form prescribed by the Commissioner and contain the information needed to determine the institution's level of expenditure and Federal capital contribution under the procedures set forth in § 144.6.

(c) The application must be signed by the official authorized to submit the application and must contain the names of the institution's Director of Student Financial Aid and the individual or official who will be responsible for the receipt, custody and disbursement of Federal funds.

(20 U.S.C. 1087bb.)

§ 144.6 Funding procedures.

(a)(1) The Commissioner will calculate an approved level of expenditure for each institution applying under paragraph (b) of this section (conditional guarantee). Institutions seeking a higher level of expenditure than their conditional guarantee may receive a higher level under paragraph (c) of this section. The amount of Federal capital contribution awarded depends in part on the institution's approved level of expenditure. The Federal capital contribution is calculated under paragraph (e) of this section.

(2) The amount of Federal capital contributions awarded as a result of the level of expenditure calculated under paragraph (b) is conditioned upon enough money being available in the State in which the institution is located to pay the amounts calculated under paragraph (e) to all institutions in that State. If the Federal capital contribution available in a State is below the amount calculated under paragraph (e), each institution's Federal capital contribution award will be reduced on a pro rata basis to the level of available funds.

(b)(1) An institution that participated in the NDSL program in the 1977-1978 and 1978-1979 award years will be approved for a level of expenditure for the 1979-1980 award year that is the greater of (i) its level of expenditure for the 1977-1978 award year, or (ii) its projected level of expenditure for the 1978-1979 award year.

(2) The level of expenditure for the 1977-1978 award year equals 104 percent of the amount of loans made in that award year.

(3) The projected level of expenditure for the 1978-1979 award year is calculated by multiplying the funds available for lending in 1978-1979 by the NDSL utilization rate for the 1977-1978 award year.

(4) As used in paragraph (b)(3) of this section, funds available for lending in 1978-1979 include—

(i) The Federal capital contribution awarded for 1978-1979,

(ii) The matching institutional capital contribution,

(iii) 110 percent of loan repayments received in 1977-1978,

(iv) Reimbursements for 1977-1978 Direct loan cancellations,

(v) Cash on hand as of June 30, 1978, and

(vi) Fund income.

(5) The 1977-1978 NDSL utilization rate equals the 1977-1978 level of expenditure (i.e., 104 percent of the amount of loans made) divided by the funds available for lending in 1977-1978. Funds available for lending in 1977-1978 included:

(i) The Federal capital contribution awarded for 1977-1978,

(ii) The matching institutional capital contribution,

(iii) Loan repayments received in 1977-1978,

(iv) Reimbursement for 1976-1977 Direct loan cancellations,

(v) Cash on hand as of June 30, 1977, and

(vi) Fund income.

(6) If an institution is participating in the NDSL program in the 1978-1979 award year, but did not participate in the NDSL program in award year 1977-1978, it will be considered to have a 100 percent utilization rate.

(7)(i) If an institution applies to participate in the NDSL program in the 1979-1980 award year, and is not participating in any of the campus based programs in the 1978-1979 award year, its level of expenditure will be calculated by comparing the institution to institutions of the same type and control, that first participated in the NDSL program in the 1978-1979 award year. Specifically, the authorized level of expenditure of the comparable institutions is divided by their number of enrolled students to get a per-student amount. The Commissioner multiplies that amount by the number of students enrolled at the applicant institution.

(ii) For the purpose of this subparagraph: control means public, nonprofit private, and proprietary; and type means universities, four year schools, two year schools, and others.

(8) If an institution applies to participate in the NDSL program in the 1979-1980 award year, is not participating in that program in 1978-1979, but is participating in the SEOG or CWS program in 1978-1979, it will not receive a conditional guarantee and must apply for a level of expenditure under paragraph (c).

(9) If the sum of Federal capital contributions awarded to all institutions in a State as a result of the level of expenditures approved under this paragraph is less than the State apportionment for Federal capital contributions calculated under § 144.3(a), awards will be increased to those institutions applying for a higher level of expenditure under paragraph (c). An increase in the Federal capital contribution under this subparagraph will increase the institution's level of expenditure by the same percentage as the percentage increase in the Federal capital contribution. To increase awards, the Commissioner will—

(i) Subtract from the State apportionment for Federal capital contributions calculated under § 144.3(a), the sum of the Federal capital contribution awards already determined as a result of the level of expenditure calculated under paragraphs (b)(1), (6), and (7) of this section.

(ii) Multiply the remainder by the relative State index for self-help of each institution that applies for additional funds under paragraph (c).

(iii) Add the amount obtained in (ii) for each institution to the amount previously calculated for that institution under paragraphs (b)(1), (6), or (7) of this section.

(10) For purposes of paragraph (b)(9)(ii) of this section, an eligible institution's relative State index for self-help is calculated by determining that institution's aggregate need for self-help under § 144.6(c)(1) and dividing that amount by the sum of the need for self help of all institutions in the eligible institution's State applying for additional funds under paragraph (c).

(c) *Calculation of fair share.* Each institution applying under this paragraph will receive a level of expenditure which represents the institution's "fair share" of the funds available for lending in the 1979-1980 award year. The "fair share" will be calculated by multiplying each institution's "self help relative national index" by the funds available for lending in the 1979-1980 award year. The Commissioner calculates an institution's "self help relative national index" as follows:

(1) The Commissioner determines the need for self help (need for funds from work and loan sources) of graduate students at the institution by—

(i) Establishing various income categories for dependent and independent graduate students,

(ii) Establishing an expected family contribution for each income category of dependent students and each income category of independent students, using need analysis methods approved under § 144.13,

(iii) Determining the average cost of education for graduate students,

(iv) Subtracting from the average cost of education for graduate students, the calculated expected family contribution for each income category of dependent students, multiplying that amount by the number of students in that category and adding the amounts obtained for each income category of dependent students,

(v) Subtracting from the average cost of education for graduate students, the calculated expected family contribution for each income category of independent students, multiplying that amount by the number of students in that category, and adding the amounts obtained for each income category of independent students, and

(vi) Adding the amounts obtained under paragraphs (c)(1)(iv) and (v) of this section.

(2) The Commissioner determines the need for self help (need for funds from work and loan sources) of undergraduate students at the institution by:

(i) Establishing various income categories for dependent and independent undergraduate students;

(ii) Establishing an expected family contribution for each income category of dependent students and each income category of independent students, using need analysis methods approved under § 144.13,

(iii) Calculating 30 percent of the average cost of education for undergraduate students,

(iv) Multiplying the number of dependent students in each income category by the lesser of (A) 30 percent of the average cost of education for undergraduate students or (B) the average cost of education for undergraduate students minus the expected family contribution determined under paragraph (c)(1)(ii) of this section for that income category, and adding the amounts obtained for each income category of dependent students,

(v) Multiplying the number of independent students in each income category by the lesser of (A) 30 percent of the average cost of education for undergraduate students or (B) the average cost of education for undergraduate students minus the expected family contribution determined under paragraph (c)(1)(ii) of this section for that income category, and adding the amounts obtained for each income category of independent students,

(vi) Adding the amounts obtained in paragraphs (c)(1)(iv) and (v) of this section.

(3) For purposes of paragraphs (c)(1) and (2) of this section the average cost of education minus expected family contribution may not be less than zero.

(4) The total amount of self help need of the institution is the sum of the self help need of graduate students ((c)(1)(vi)) and undergraduate students ((c)(2)(vi)).

The following chart indicates the income categories and the manner in which the appropriate number of students will be reported.

NUMBER OF ENROLLED APPLICANTS BY INCOME CATEGORY FOR 1977-1978

INCOME	UNDERGRADUATE DEPENDENT	GRADUATE/PROF. DEPENDENT	INCOME	UNDERGRADUATE INDEPENDENT	GRADUATE INDEPENDENT
$0 - $ 5,999			$0 - $ 999		
$6,000 - $ 8,999			$1,000 - $1,999		
$9,000 - $11,999			$2,000 - $2,999		
$12,000 - $14,999			$3,000 - $3,999		
$15,000 - $17,999			$4,000 - $4,999		
$18,000 - $20,999			$5,000 - $5,999		
$21,000 - $23,999			$6,000 - $6,999		
$24,000 - $26,999			$7,000 - $7,999		
$27,000 - $29,999			$8,000 - $8,999		
$30,000 - over			$9,000 - over		
TOTAL					

(5) The Commissioner divides the result obtained in paragraph (c)(4) of this section by the sum of—

(i) The self help need of all institutions applying under this paragraph or under § 175.6(c) of the CWS regulations (45 CFR 175.6(c)), and

(ii) The conditional guaranteed level of expenditure for NDSL and the conditional guaranteed CWS amount for all institutions not applying under this paragraph or § 175.6(c) of the CWS regulations.

(6) The increase in an institution's level of expenditure may not exceed the difference between its "fair share" and its conditional guarantee.

(d) As used in paragraph (c):

(1) "Cost of education" is the cost of attendance for undergraduate and graduate students who satisfy the eligibility requirements of § 144.9(a) (1) and (2). These costs include tuition and fees and a standard cost for living expenses and books and supplies. (The institution will report its total tuition and fee revenues and the Commissioner will prorate this amount for eligible students.)

(2) "Funds available for lending in the 1979-1980 award year" include

(i) The 1979 appropriation for Federal capital contribution,

(ii) The matching institutional capital contribution,

(iii) 121 percent of 1977-1978 loan repayments,

(iv) Reimbursements for 1978-1979 Direct loan cancellations, and

(v) Fund income.

DETERMINATION OF FEDERAL CAPITAL CONTRIBUTION (FCC)

(e)(1) The Commissioner determines the Federal Capital Contribution (FCC) for an award year by

(i) Subtracting from an institution's approved level of expenditure for that year, the loan repayments for that year, fund income, and reimbursements for cancellations of direct loans for the previous year and,

(ii) Multiplying the remainder by 90 percent.

(2) Loan repayments for the purpose of calculating FCC for the 1979-80 award year will be considered to be 121 percent of the amount collected in the award year if

(i) The institution's default rate is 10 percent or less,

(ii) The institution's default rate is more than 10 percent, but the number of loans made by that institution, which are in default for less than 2 years, on June 30, 1978 are at least 10 percent less than the number of loans made by that institution and in default for less than 2 years on June 30, 1977, or

(iii) The institution's default rate is more than 10 percent, but the institution can document, under 144.7, that it has exercised due diligence as set forth in Subpart C of the NDSL regulations published in the FEDERAL REGISTER of November 24, 1976, for the past 2 award years.

NOTE.—See *Subpart C—Loan Collection—Due Diligence*, attached as an appendix to this NPRM.

(3) If an institution does not qualify under one of the three conditions in subparagraph 2, its loan repayments will be considered to be, for the purpose of calculating FCC for the 1979-80 award year,

(i) 121 percent of the amount collected in the 1977-1978 award year, plus

(ii) The amount it would have collected through June 30, 1978 if its default rate was 10 percent.

(f)(1) If an institution's "fair share" of the CWS appropriation exceeds its request for CWS funds, the Commissioner will place the excess in an "Excess CWS Pool." Similarly if an institution is scheduled to receive more Federal capital contributions than it requested, the Commissioner will place that excess in an "Excess Federal Capital Contribution (FCC) Pool."

(2)(i) If an institution has contributed to the "Excess CWS Pool," and its need for Federal capital contributions has not been fully met, it may receive additional Federal capital contributions from the "Excess FCC Pool."

(ii) If an institution has contributed to the "Excess FCC Pool" and its need for CWS funds has not been fully met, it may receive additional funds form the "Excess CWS Pool".

(iii) The amount of additional Federal capital contributions an institution may receive under this subparagraph is proportional to its contribution to the "Excess CWS Pool." The amount of additional CWS funds an institution may receive under this subparagraph is proportional to its contribution to the "Excess FCC Pool". Stated as an equation—

Additional FCC equals institutional contribution to Excess CWS Pool divided by Excess CWS Pool multiplied by Excess FCC Pool

Additional CWS equals institutional contribution to Excess FCC Pool divided by Excess FCC Pool multiplied by Excess CWS Pool

(g) Notwithstanding paragraphs (b), (c), (e) and (f) of this section, no institution may receive more Federal capital contributions than it requested.

(20 U.S.C. 1087bb.)

§ 144.7 Application review—approval of request.

(a) An institution may request a review of its calculated level of expenditure or Federal capital contribution. The Commissioner will convene a national review panel consisting of student financial aid officers and OE personnel.

(b) The review panel will review each request and notify the Commissioner of its recommendations and the reasons for its recommendations.

(c) The Commissioner will establish an approved level of expenditure and Federal capital contributions based on the procedures set forth in § 144.6 and the national review panel recommendations.

(20 U.S.C. 1087bb.)

§ 144.16 Making and disbursing loans.

* * * * *

(i) No loan may be made to a student whose need for the loan was computed using estimated data submitted to the institution before January 1 of the previous award year unless the institution verifies that information.

PART 175—COLLEGE WORK-STUDY PROGRAM

2. Sections 175.3, 175.4, 175.5, 175.6, 175.7, and 175.16(f) of Part 175 of Title 45 of the Code of Federal Regulations are amended to read as follows:

§ 175.3 Allotment of Federal funds to States.

(a) *Initial allotments.* Two percent of the CWS appropriation will be allotted in accordance with section 442(a) of the Act. An additional amount will be allotted in accordance with section 442(f) of the Act.

(b) *Initial allotment to States.* (1) Ninety percent of the amount remaining after allotment of funds under paragraph (a) will be allotted in accordance with section 442(b) and that portion of section 442(c) of the Act which relates to the 1972 allotment guarantee.

(2) After allotting funds under paragraph (a) and subparagraph (b)(1), the Commissioner will allot any amount remaining so that each institution in each State receives the amount of CWS funds calculated under §§ 175.6 or 175.7.

(c) *Amounts to be transferred to the State Student Financial Assistance Training Program.* (1) The Commissioner may transfer an amount equal to .06 percent of each State's initial allotment, as determined under paragraphs (a) and (b) of this section, or $10,000, whichever is less, to that State under the State Student Financial Assistance Training Program authorized under section 493C of the Higher Education Act of 1965, if the State has submitted an approved application.

(2) Funds reserved for transfer to the State Student Financial Assistance Training Program, which have not been granted to the appropriate agency by the end of the fiscal year for which appropriated, will be returned to that State's allotment under the College Work-Study Program. The Commissioner may allocate this amount on an equitable basis to one or more institutions in that State.

(20 U.S.C. 1088b-3.)

(d) *Reallotment.* The Commissioner will reallot the amount of any State's allotment which (1) exceeds the approved requests of institutions in that State, (2) has not been granted to any institution at the end of the fiscal year for which appropriated, or (3) has not been transferred to carry out the State Student Financial Assistance Training Program. The Commissioner will reallot those funds among the States according to the need for CWS funds of institutions in each State as calculated under §§ 175.6 or 175.7.

(42 U.S.C. 2752.)

§ 175.4 Allocation, reallocation and payment to institutions.

(a) When funds available within a State are less than the amount of funds requested by institutions in that State, the funds will be distributed as set forth in § 175.6.

(b)(1) If an institution anticipates that it will not use all the money allocated to it by the end of an award period, it must notify the Commissioner of the amount it does not expect to use. The Commissioner will reduce the institution's allocation accordingly.

(2) The Commissioner may reallocate those funds on an equitable basis to other institutions in the State that have a need for those funds. If no institution in that State has a need for those funds, the funds may be reallotted in accordance with section 175.3, for use in other States.

(c) The Commissioner will make funds available for a specific period of time. Funds will be paid to the institution in advance or by way of reimbursement, based on periodic fiscal reports.

(42 U.S.C. 2756.)

§ 175.5 Application.

(a) An institution that wishes to participate in the College Work-Study program must file an application with the Commissioner before an annually established closing date.

(b) The application must be on the form prescribed by the Commissioner and contain the information needed to determine the institution's allocation of funds under the procedures set forth in § 175.6.

(c) The application must contain the information needed to determine whether the institution is complying with the maintenance of effort requirements set forth in § 175.20.

(d) The application must be signed by the official authorised to submit the application and must contain the names of the institution's Director of Student Financial Aid and the individual or official who will be responsible for the receipt, custody and disbursement of Federal funds.

(42 U.S.C. 2756.)

§ 175.6 Funding procedure.

(a) *Institutions requesting CWS funds* will receive an amount calculated under paragraph (b) of this section (conditional guarantee). An institution seeking more than its conditional guarantee may receive an additional amount under paragraph (c) of this section. The conditional guarantee is conditioned upon enough money being available in the State in which the institution is located to pay the amounts calculated under paragraph (b) to all institutions in that State. If the CWS funds available in a State will not fully satisfy all conditional guarantees, each institution's award will be reduced on a pro rata basis [illegible] of available funds.

(b)(1) An [illegible] received CWS funds in the [illegible] and 1978-1979 award years will receive for the 1979-1980 award year, the greater of (i) its actual CWS expenditures for the 1977-1978 award year or (ii) its projected 1978-1979 award year expenditures.

(2)(i) An institution's projected 1978-1979 expenditure is calculated by multiplying its 1978-1979 allocation by the school's CWS utilization rate for the 1977-1978 award year.

(ii) The CWS utilization rate is calculated by dividing the CWS expenditure in an award year by the grant funds available for expenditure in that award year.

(3) If an institution received CWS funds for the 1978-1979 award year and did not participate in the CWS program in the 1977-1978 award year, it will be considered to have a 100 percent utilization rate.

(4)(i) If an institution applies to participate in the CWS program in the 1979-1980 award year, and is not participating in any of the campus based programs in the 1978-1979 award year, its conditional guarantee will be calculated by comparing the institution to institutions of the same type and control that first participated in the CWS program in the 1978-1979 award year. Specifically, the amount of CWS funds the comparable institutions received is divided by the number of enrolled students at the schools to get a per-student amount. The Commissioner multiplies that amount by the number of students enrolled at the applicant institution.

(ii) For purposes of this subparagraph: control means public, nonprofit private, and proprietary; and type means universities, four year schools, two year schools, area vocational schools and others.

(5) If an institution applies to participate in the CWS program in the 1979-1980 award year, is not participating in that program in the 1978-1979 award year, but is participating in the SEOG or NDSL program in 1978-1979, it will not receive a conditional guarantee and must apply for funds under paragraph (c).

(6) If the sum of CWS conditional guarantee awards for all institutions in a State is less than the State allotment calculated under § 175.3(b), awards will be increased to those institutions applying for additional funds under paragraph (c). To increase awards, the Commissioner will—

(i) Subtract from the State allotment calculated under § 175.3(b), the sum of the awards already calculated in paragraphs (b)(1), (3), or (4) of this section for all institutions in the State.

(ii) Multiply the remainder by the relative State index for self help of each institution that applies for additional funds under paragraph (c).

(iii) Add the amount obtained in paragraph (b)(6)(ii) of this section for each institution to the amount calculated for that institution under paragraphs (b)(1), (3), or (4) of this section.

(7) For purposes of paragraph (b)(6)(ii) of this section, an eligible institution's relative State index is calculated by determining that institution's aggregate need for self help under § 175.6(c)(1) and dividing that amount by the sum of the aggregate self help need of all institutions in the eligible institution's State applying under paragraph (c).

(c) *Calculation of fair share.* Each institution applying under this paragraph will receive a "fair share" of the CWS appropriation. The "fair share" will be calculated by multiplying each institution's "self help relative national index" by the CWS appropriation. The Commissioner calculates an institution's self help relative national index as follows:

(1) The Commissioner determines the need for self help (need for funds from work and loan sources) of graduate students at the institution by—

(i) Establishing various income categories for dependent and independent graduate students,

(ii) Establishing an expected family contribution for each income category of dependent students and each income category of independent students, using need analysis methods approved under § 175.13,

(iii) Determining the average cost of education for graduate students,

(iv) Subtracting from the average cost of education for graduate students, the calculated expected family contribution for each income category of dependent students, multiplying that amount by the number of students in that category and adding the amounts obtained for each income category of dependent students,

(v) Subtracting from the average cost of education for graduate students, the calculated expected family contribution for each income category of independent students, multiplying that amount by the number of students in that category, and adding the amounts obtained for each income category of independent students, and

(vi) Adding the amounts obtained under paragraphs (c)(1) (iv) and (v) of this section.

(2) The Commissioner determines the need for self help (need for funds from work and loan sources) of undergraduate students at the institution by:

(i) Establishing various income categories for dependent and independent undergraduate students;

(ii) Establishing an expected family contribution for each income category of dependent students and each income category of independent students, using need analysis methods approved under § 175.13,

(iii) Calculating 30 percent of the average cost of education for undergraduate students,

(iv) Multiplying the number of dependent students in each income category by the lesser of (A) 30 percent of the average cost of education for undergraduate students or (B) the average cost of education for undergraduate students minus the expected family contribution determined under paragraphs (c)(2)(ii) of this section for that income category, and adding the amounts obtained for each income category of dependent students,

(v) Multiplying the number of independent students in each income category by the lesser of (A) 30 percent of the average cost of education for undergraduate students or (B) the average cost of education for undergraduate students minus the expected family contribution determined under clause (ii) for that income category, and adding the amounts obtained for each income category of independent students,

(vi) Adding the amounts obtained in paragraphs (c)(2) (iv) and (v) of this section.

(3) For purposes of paragraphs (c) (1) and (2) of this section, the average

cost of education minus expected family contribution may not be less that zero.

(4) The total amount of self help need of the institution is the sum of the self help need of graduate students ((c)(1)(vi)) and undergraduate students ((c)(2)(vi)).

The following chart indicates the income categories and the manner in which the appropriate number of students will be reported.

NUMBER OF ENROLLED APPLICANTS BY INCOME CATEGORY FOR 1977-1978

INCOME	UNDERGRADUATE DEPENDENT	GRADUATE/PROF. DEPENDENT	INCOME	UNDERGRADUATE INDEPENDENT	GRADUATE INDEPENDENT
$0 - $ 5,999			$0 - $ 999		
$6,000 - $ 8,999			$1,000 - $1,999		
$9,000 - $11,999			$2,000 - $2,999		
$12,000 - $14,999			$3,000 - $3,999		
$15,000 - $17,999			$4,000 - $4,999		
$18,000 - $20,999			$5,000 - $5,999		
$21,000 - $23,999			$6,000 - $6,999		
$24,000 - $26,999			$7,000 - $7,999		
$27,000 - $29,999			$8,000 - $8,999		
$30,000 - over			$9,000 - over		
TOTAL					

(5) The Commissioner divides the result obtained in paragraph (c)(4) of this section by the sum of—

(i) The formula determined self help need of all institutions applying under this paragraph, or under § 144.6(c) of the NDSL regulations (45 CFR 144.6(c)) and

(ii) The CWS conditional guarantee plus the conditional guaranteed level of expenditure for all institutions not applying under this paragraph or § 144.6(c) of the NDSL regulations.

(6) An institution may not receive more than the difference between its "fair share" and its conditional guarantee.

(d) As used in paragraph (c): "Cost of education" is the cost of attendance for undergraduate and graduate students who satisfy the eligibility requirements of § 175.9(a)(1) and (2). These costs include tuition and fees and a standard cost for living expenses and books and supplies. (The institution will report its total tuition and fee revenues, and the Commissioner will prorate that amount for eligible students.)

(e)(1) If an institution's "fair share" of the CWS appropriation exceeds its request for CWS funds, the Commissioner will place the excess in an "Excess CWS Pool." Similarly if an institution is scheduled to receive more Federal capital contribution than it requested, the Commissioner will place that excess in an "Excess Federal Capital Contribution (FCC) Pool."

(2)(i) If an institution has contributed to the "Excess CWS Pool," and its need for Federal capital contribution has not been fully met, it may receive additional Federal capital contributions from the "Excess FCC Pool."

(ii) If an institution has contributed to the "Excess FCC Pool" and its need for CWS funds has not been fully met, it may receive additional funds from the "Excess CWS Pool."

(iii) The amount of additional Federal capital contributions an institution may receive under this subparagraph is proportional to its contribution to the "Excess CWS Pool." The amount of additional CWS funds an institution may receive under this subparagraph is proportional to its contribution to the "Excess FCC Pool." Stated as an equation—

Additional FCC equals institutional contribution to Excess CWS Pool divided by Excess CWS Pool multiplied by Excess FCC Pool

Additional CWS equals institutional contribution to Excess FCC Pool divided by Excess FCC Pool multiplied by Excess CWS Pool

(f) Notwithstanding paragraphs (b), (c), and (e) of this section, no institution may receive more CWS funds than it requested.

(42 U.S.C. 2756)

§ 175.7 Application review—approval of request.

(a) An institution may request a review of the amount of its conditional guarantee. The Commissioner will convene a national review panel consisting of student financial aid officers and OE personnel.

(b) The review panel review each request and notify the Commissioner of its recommendations and the reasons for its recommendations.

(c) The Commissioner will set an award amount based on the procedures set forth in § 175.6 and the national review panel recommendations.

(42 U.S.C. 2756.)

§ 175.16 Payments to students.

* * * * *

(f) No payment may be made to a student whose need was computed using estimated data submitted to the institution before January 1 of the previous award period unless the institution verifies that information.

(42 U.S.C. 2754.)

PART 176—SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

3. Sections 176.3, 176.4, 176.5, 176.6, 176.7, and 176.16(i), 4, 5, 6, 7 and 16 of Part 176 of Title 45 of the Code of Federal Regulations are amended to read as follows:

§ 176.3 Apportionment and reapportionment.

(a) *Initial grant—apportionment.* (1) Ninety percent of the funds appropriated for making initial grants for any fiscal year will be apportioned as set forth in section 413D(a) of the Act.

(2) After apportioning funds under paragraph (a)(1) of this section, the Commissioner will apportion the remaining funds so that each institution in each State receives the amount for initial grants calculated under §§ 176.6 or 176.7.

(b) *Initial grants—reapportionment.* The Commissioner will reapportion the part of any State's apportionment which exceeds the approved requests for initial grants of institutions in that State, or which has not been transferred to carry out the State Student Financial Assistance Training Program. The Commissioner will reapportion these funds among the remaining States according to the need for initial funds by institutions in these States as calculated under §§ 176.6 or 176.7.

(c) *Continuing grants—apportionment.* The Commissioner will apportion the funds appropriated for continuing grants so that each institution in each State receives the amount for continuing grants calculated under §§ 176.6 or 176.7.

(d) *Continuing grants—reapportionment.* Any funds apportioned under paragraph (c) which are [illegible] determined by the Commissioner to exceed the amount required by any State for continuing grants under §§ 176.6 or 176.7, or which have not been transferred to carry out the State Student Financial Assistance Training Program, will be reapportioned among the remaining States.

(e) *Amounts to be transferred to the State Student Financial Assistance*

Training Program. (1) The Commissioner may transfer an amount equal to .05 percent of each State's apportionment, as determined under paragraphs (a) and (c) of this section, or $10,000, whichever is less, to that State under the State Student Financial Assistance Training Program authorized under Section 493C of the Higher Education Act of 1965, if the State has submitted an approved application.

(2) Funds reserved for transfer to the State Student Financial Assistance Training Program, which have not been granted to the appropriate agency by the end of the fiscal year for which appropriated, will be returned to that State's apportionment. The Commissioner may apportion the amount on an equitable basis to one or more institutions in that State.

(20 U.S.C. 1070b-3 and 1088b-1.)

§ 176.4 Allocation, reallocation and payment to institutions.

(a) When funds available within a State for initial or continuing awards are less than the amount of funds requested by institutions in that State, the funds will be distributed as set forth in § 176.6.

(b)(1) If an institution anticipates that it will not use all the money allocated to it for initial or continuing grants by the end of an award period, it must notify the Commissioner of the amount it does not expect to use. The Commissioner will reduce the institution's allocation accordingly.

(2) The Commissioner may reallocate those funds on an equitable basis to other institutions in the State that have a need for those funds. If no institution in that State has a need for those funds, the funds may be reapportioned in accordance with § 176.3, for use in other States.

(3) The Commissioner will make funds available for initial and continuing grants for a specific period of time. Funds will be paid to an institution in advance or by way of reimbursement, based on periodic fiscal reports.

(20 U.S.C. 1070b-3.)

§ 176.5 Application.

(a) An institution that wishes to participate in the SEOG program must file an application with the Commissioner before an annually established closing date.

(b) The application must be on the form prescribed by the Commissioner and contain the information needed to determine the institution's allocation of funds under the procedures set forth in § 176.6.

(c) The application must contain the information needed to determine whether the institution is complying with the maintenance of effort requirements set forth in § 176.20.

(d) The application must be signed by the official authorized to submit the application and must contain the names of the institution's Director of Student Financial Aid and the individual or official who will be responsible for the receipt, custody and disbursement of Federal funds.

(20 U.S.C. 1070b-3.)

§ 176.6 Funding procedure.

(a) Institutions requesting SEOG funds will receive an amount calculated under paragraph (b) of this section (conditional guarantee). An institution seeking more than its conditional guarantee may receive an additional amount under paragraph (c) of this section. The conditional guarantee is conditioned upon enough money being apportioned or reapportioned to the State in which the institution is located to pay the amounts calculated under paragraph (b) to all institutions in that State. If the SEOG funds available in a State will not fully satisfy all conditional guarantees, each institution's award will be reduced on a pro rata basis to the level of available funds.

(b)(1) An institution that received SEOG funds in the 1977-1978 and 1978-1979 award years will receive for the 1979-1980 award year, the greater of (i) its actual SEOG expenditure for the 1977-1978 award year, of (ii) its projected 1978-1979 award year SEOG expenditure.

(2)(i) An institution's projected 1978-1979 SEOG expenditure is calculated by multiplying its 1978-1979 allocation by its SEOG utilization rate for the 1977-1978 award year.

(ii) The SEOG utilization rate is calculated by dividing the aggregate SEOG expenditure in an award year by the grant funds available for expenditure in that award year.

(3) If an institution received SEOG funds for the 1978-1979 award year and did not participate in the SEOG program in the 1977-1978 award year, it will be considered to have a 100% utilization rate.

(4)(i) If an institution applies to participate in the SEOG program in the 1979-1980 award year, and is not participating in any of the campus based programs in the 1978-1979 award year, its conditional guarantee will be calculated by comparing the institution to institutions of the same type and control, that first participated in the SEOG program in the 1978-1979 award year. Specifically, the amount of SEOG funds the comparable institutions received is divided by the number of enrolled students at the comparable schools to get a per-student amount. The Commissioner multiplies that amount by the number of students enrolled at the applicant institution to determine its conditional guarantee.

(ii) For purposes of this subparagraph: control means public, nonprofit private and proprietary; and type means universities, four year schools, two schools, and others.

(5) If an institution applies to participate in the SEOG program in the 1979-1980 award year, is not participating in that program in 1978-1979, but is participating in the CWS or NDSL program in 1978-1979, it will not receive a conditional guarantee and must apply for funds under paragraph (c).

(6) Each institution's conditional guarantee will be divided between initial grants and continuing grants. This division will be based on the percentage that the institution's request for each type of grant bears to its total request. (For example, if an institution requests $45,000 for initial grants and $55,000 for continuing, 45 percent of its conditional guarantee will be for initial grants and 55 percent for continuing grants).

(7) If the sum of initial year conditional guarantee awards for all institutions in a State is less than the State allotment for initial year grants calculated under § 176.3(a), awards will be increased to those institutions applying for additional funds under paragraph (c). To increase awards, the Commissioner will—

(i) Subtract from the State allotment for initial grants calculated under § 176.3(a), the sum of the awards already calculated in paragraphs (b)(1), (3) or (4) of this section for all institutions in the State.

(ii) Multiply the remainder by the relative State index for initial grants of each institution that applies for additional funds under § 176.6(c).

(iii) Add the amount obtained in paragraph (b)(7)(ii) of this section for each institution to the amount calculated for that institution under paragraphs (b)(1), (3) or (4) of this section.

(8) For purposes of paragraph (b)(7)(ii) of this section, an eligible institution's relative state index is calculated by determining that institution's aggregate need for initial year grants under § 176.6(c)(1) and dividing that amount by the sum of the need for initial year awards of all institituions in the eligible institution's State applying under paragraph (c).

(c) *Calculation of fair share.* Each institution applying under this paragraph will receive a "fair share" of the SEOG appropriation. An institution's fair share of the SEOG initial grant appropriation is calculated by multiplying the appropriation for initial grants by that institution's relative national index for initial grants. An institution's fair share of the SEOG continuing grant appropriation is calculated by multiplying the appropriation for continuing grants by that institution's relative national index for continuing grants.

(1) The Commissioner calculates a relative national index for initial grants by dividing each institution's need for initial grants (determined under paragraphs (c)(3) and (4) of this section) by the sum of the need for initial grants of all institutions applying for initial year funds. For purposes of this calculation, the need for initial year funds at an institution not applying for additional initial year funds under this paragraph is its conditional guarantee.

(2) The Commissioner calculates a relative national index for continuing grants by dividing each institution's need for continuing grants (determined under paragraphs (c)(3) and (4) of this section) by the sum of the need for continuing grants of all institutions applying for continuing funds. For purposes of this calculation, the need for continuing year funds of an institution not applying for additional continuing year funds under this paragraph is its conditional guarantee.

(3) The Commissioner calculates the need for SEOG funds for each institution applying under paragraph (c) under the following formula:

$$\text{SEOG need} = 70 \text{ percent} \times \text{cost of education} - (\text{Aggregate Expected Family Contribution (EFC)} + \text{Basic Grants} + \text{State Grants} + \tfrac{2}{3} \text{ Institutional Grants})$$

(4) The Commissioner divides each institution's aggregate need for SEOG funds between initial grants and continuing grants. This division will be based on the percentage that the institution's request for each type of grant bears to its total request for SEOG funds. (For example, if a school asks for $45,000 for initial grants and $55,000 for continuing grants, 45 percent of the amount determined in paragraph (c)(1) of this section will be apportioned to initial grants and 55 percent to continuing grants.)

(5) An institution may not receive more than the difference between its "fair share" and its conditional guarantee for each type of grant (i.e., initial or continuing).

(d) As used in paragraph (c):

(1) "Aggregate Expected Family Contribution" (EFC) is calculated by the Commissioner by—

(i) Establishing various income categories for dependent and independent undergraduate students,

(ii) Establishing an expected family contribution for each income category of dependent students and each income category of independent students, using need analysis methods approved under § 176.13,

(iii) Multiplying the number of dependent students in each income category by the expected family contribution determined under paragraph (d)(1)(ii) of this section for that income category, and adding the amounts obtained for each income category of dependent students,

(iv) Multiplying the number of independent students in each income category by the expected family contribution determined under paragraph (d)(1)(ii) of this section for that income category, and adding the amounts obtained for each income category of independent students, and

(v) Adding the amounts obtained in paragraphs (d)(1) (iii) and (iv) of this section.

(2) "Cost of education" is the cost of attendance for undergraudate students who satisfy the eligibility requirements of § 176.9(a) (1) and (2). These costs include tuition and fees and a standard cost for living expenses and books and supplies. (The institution will report its total tuition and fee revenues and the Commissioner prorates this amount for eligible undergraduate students.)

The following chart indicates the income categories and the manner in which the appropriate number of students will be reported.

NUMBER OF ENROLLED APPLICANTS BY INCOME CATEGORY FOR 1977-1978

INCOME	UNDERGRADUATE DEPENDENT	INCOME	UNDERGRADUATE INDEPENDENT
$ 0 - $ 5,999		$0 - $ 999	
$ 6,000 - $ 8,999		$1,000 - $1,999	
$ 9,000 - $11,999		$2,000 - $2,999	
$12,000 - $14,999		$3,000 - $3,999	
$15,000 - $17,999		$4,000 - $4,999	
$18,000 - $20,999		$5,000 - $5,999	
$21,000 - $23,999		$6,000 - $6,999	
$24,000 - $26,999		$7,000 - $7,999	
$27,000 - $29,999		$8,000 - $8,999	
$30,000 - over		$9,000 - over	
TOTAL			

(3) State grants are the sum of all State grants and scholarships received by undergraduate students at the institution during the 1977-1978 award year.

(4) Institutional grants include the sum of those categories of undergraduate gift aid included in determining the maintenance of effort amount under § 176.20.

(e) Notwithstanding paragraphs (b) and (c) of this section, no institution may receive more money than it requested by initial or continuing grants.

(20 U.S.C. 1070b-3.)

§ 176.7 Application review—approval of request.

(a) An institution may request a review of its conditional guarantee. The Commissioner will convene a national review panel consisting of student financial aid officers and OE personnel.

(b) The review panel will review each request and notify the Commissioner of its recommendations and the reasons for its recommendations.

(c) The Commissioner will set an award amount based on the procedures set forth in § 175.6 and the national review panel recommendations.

(20 U.S.C. 1070b-3.)

§ 176.16 Payment of grant.

* * * * *

(i) No Supplemental Grant may be paid to a student whose need for the grant was computed using estimated data submitted to the institution before January 1 of the previous award period unless the institution verifies that information.

APPENDIX

From: FEDERAL REGISTER, Volume 41, No. 228—Wednesday, November 24, 1976

Subpart C—Loan Collection—Due Diligence

§ 144.11 General.

Each institution at which a Fund is established shall exercise due diligence as described in this subpart in the collection of the amounts due and payable to its Fund. In the exercise of such responsibility each institution must consistently utilize extensive and forceful collection practices. In particular, an institution shall:

(a) Provide to each borrower, not later than the time when he signs his promissory note, full disclosure of his rights and obligations thereunder:

(b)(1) Conduct an exit interview as described in § 144.42 with each borrower prior to his leaving the institution and provide the borrower at that time with a copy of his repayment schedule specifying the total amount of the loan and the dates and amounts of installments as they become due.

(2) If a borrower leaves the institution without notice, the institution shall mail the borrower a copy of his note and 2 copies of his repayment schedule and shall request the borrower to sign and return one of the copies of the repayment schedule.

(c) Maintain a written record of the exit interview, including a repayment schedule signed by the borrower which shall be made a part of the borrower's file;

(d) Maintain contact with the borrower after his leaving the institution in order to facilitate billing and in order to keep him informed on a timely basis of all changes in the program affecting his rights and obligations.

§ 144.42 Contact with the borrower prior to repayment period.

(a) *Coordination of institutional offices.* Each institution shall provide for the exchange of information among all appropriate institutional offices, e.g., the registrar, student financial aid, business, and alumni offices in order to determine (1) the approximate time a borrower will graduate in order that an exit interview may be conducted, or (2) whether a student has left school without proper notice so that it may mail the borrower required information.

(b) *Exit interview.* (1) Each institution shall, if possible, conduct an exit interview with each borrower prior to the time the borrower leaves the institution. The exit interview shall be conducted on an individual basis, except that, if individual interviews are not feasible, the institution may conduct group exit interviews.

(2) During the exit interview the institution shall provide the borrower with a detailed explanation of his obligations and rights. It shall advise the borrower: (i) Of the fact that he has received a loan which must be repaid on a timely basis as called for in his repayment schedule, (ii) of his responsibility to inform the institution immediately of any change of address, (iii) of the full amount of his loan including the interest rate, (iv) of the date and amount when the first payment becomes due, (v) of his responsibility to contact the institution prior to the due date of any installment if payment cannot be made for any reason, (vi) of his rights to deferment pursuant to 144.34, postponement pursuant to 144.35, and/or cancellation pursuant to 144.51 through 144.56 as well as his responsibility to submit timely certification of such right to the deferment, postponement, cancellation, (vii) of his right to accelerate loan repayments without penalty, (viii) of any optional features which the institution has inserted in its note including the minimum monthly repayment provision pursuant to § 144.32(e), total costs of collection chargeable to the borrower pursuant to § 144.32(j), and penalty charges pursuant to § 144.32(f).

(c) The institution shall contact each borrower no less than three times during the borrower's 9 month grace period as follows: (1) 90 days into the grace period the institution shall transmit to the borrower in writing the information described in paragraph (b)(2) of this section and such other information as is necessary to satisfy Truth in Lending Act regulations; (2) 180 days into the grace period the institution shall notify the borrower of the date of expiration of the borrower's grace period; and (3) no less than 30 days preceding the due date of the first repayment installment the institution shall notify the borrower of the date when his first payment become due and of the amount of principal and interest due at that time.

(d) If the institution finds that a borrower's address has changed, it shall implement the procedures set forth in 144.43(a)(4) in order to secure the borrower's correct address.

(20 U.S.C. 425 and 1087cc.)

§ 144.43 Billing procedures.

(a) Each institution shall establish and maintain regular billing and follow up procedures during the period in which any outstanding balance remains unpaid, including:

(1) The sending of:

(i) A letter of notice and a statement of account to each borrower no later than 30 days preceding the date on which the first repayment installment is due;

(ii) A statement of account to each borrower no fewer than 10 days preceding the due date of each payment subsequent to the first payment, unless a coupon system is established;

(iii) When any payment is not received within 15 days of the due date, a telephoned or written demand to the borrower for payment followed by two more such demands spaced 30 days apart if no response to the initial demand is received;

(2) The maintenance of a monthly list of payments in arrears with respect to loans not paid when due;

(3) Other procedures for effecting prompt and regular repayment including personal or telephonic contact where possible;

(4) In the case of a borrower whose address is no longer known, which may be evidenced by return of mail, performance of a thorough search of all reasonably accessible information which may lead to the borrower's current address, including records checks in all appropriate institutional offices, checks of the telephone directory or information operator in the city or town of the borrower's last known address, long distance phone calls to the borrower if a phone has been obtained and the use of the Office of Education's skip-tracing service, which will be provided free of charge to the institution.

(b) Costs incurred by the institution in carrying out the activities enumerated in paragraph (a) of this section shall be considered routine administrative expenses which may not be charged to the Fund, except for the costs of long distance phone calls to the borrower described in paragraphs (a)(3) and (a)(4) of this section, which may, in accordance with 144.46, be considered other collection costs chargeable to the Fund.

(20 U.S.C. 424 and 1087cc)

§ 144.44 Skip-tracing activities.

(a) If an institution is still unable to locate a borrower, in spite of its efforts pursuant to § 144.43(a)(4), it shall engage the services of a commercial skip tracing organization or perform equivalent skip tracing activities with its own personnel.

(b) If the borrower's address is located as a result of the activities described in paragraph (a) of this section, the institution shall immediately contact the borrower for the purpose of collecting amounts past due.

(20 U.S.C. 424 and 1087cc)

§ 144.45 Collection procedures.

(a) If an institution is still unable to obtain payment from a borrower after performing all of the activities set forth in § 144.46, be § 144.44, it shall utilize the services of a collection agency or perform such collection activities with its own personnel or shall resort to litigation.

(b) If a collection agency is used it must be bonded in an amount to cover those particular assets of the Fund which are under the control of the agency at any particular time.

(c) Notwithstanding the provisions of paragraph (a) of this seciton, if the amount of principal and interest outstanding on a loan is not more than $2, the institution may write-off that amount and need not take any further collection action with regard to that loan.

(20 U.S.C. 424 and 1087cc)

§ 144.46 Other collection costs—litigation costs.

(a) Reasonable costs incurred in carrying out the activities described in §§ 144.44(a) and 144.45 and the costs of long distance calls incurred in carrying out §§ 144.43 (a)(3) and (a)(4) and § 144.44(b) shall be considered other collection costs and may be charged to the Fund, except that any collection costs paid by the borrower may not be charged to the Fund. For audit purposes, such costs must be supported by appropriate financial statements (e.g. telephone bills and collection agency bills). The statement of the collection agency shall indicate specific amounts collected and charges retained.

(b) If an institution elects to perform its own collections, rather than using a collection agency, its actual costs of collection may be considered an other collection cost and charged to the Fund, so long as such costs do not exceed the costs that would have been permitted under paragraph (a) of this section if the institution had used a commercial collection agency.

(c) Reasonable litigation costs incurred in carrying out this subpart may be charged to the Fund.

(20 U.S.C. 424 and 1087cc)

§ 144.47 Utilization of fiscal agent.

(a) If an institution utilizes a billing service, collection agency or any other type of fiscal agent in carrying out its functions under this part, the function of such service or agency must be limited solely to the performance of ministerial acts. The ultimate responsibility of the institution to make determinations relative to the making and collection of loans and decisions relative to cancellation and deferment of loans cannot be delegated.

(b) If a billing service is used to carry out the functions pursuant to 144.43, the billing service may not deduct its fee from the funds it receives from borrowers.

(29 U.S.C. 424 and 1087cc)

§ 144.48 Use of commonly owned billing service and collection agency prohibited.

If in carrying out the activities required under 144.43 an institution uses a commercial billing service, it may not utilize a collection agency pursuant to 144.45 which owns or controls, or is owned or controlled by, the billing service or which is owned and controlled by a corporation, partnership, association or individual which also owns or controls the billing service.

(20 U.S.C. 1087cc)

§ 144.49 Bankruptcy of borrower.

An institution shall refrain from collection activity with respect to a loan in the event the borrower is adjudicated a bankrupt and such loan has been discharged. However, no such loan shall be written off until an official notice of the adjudication has been received by the institution. Such notification must be maintained in the file of that borrower to support the writeoff entry. If the institution receives any payment from a borrower subsequent to his adjudication as a bankrupt, it shall deposit such payment in its Fund.

(20 U.S.C. 424, 1087cc)

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April 23, 1979

The Honorable William D. Ford
Chairman
Subcommittee on Postsecondary Education
House Committee on Education and Labor
House of Representatives
2368 Rayburn Office Building
Washington, D.C. 20515

Dear Mr. Ford:

I am writing to you not only as a representative of Cornell University but as a member of the profession of Financial Aid Administration to present our viewpoints concerning reauthorization of programs in Title IV of the Higher Education Act of 1965, as amended.

After reviewing the various suggestions, recommendations and positions advanced by individuals and associations, I am in agreement with philosophical approaches advanced principally by the Commission on Independent Colleges and Universities of New York and the National Association of Independent Colleges and Universities. We agree that it is reasonable, equitable, and necessary that institutional choice for students be a fundamental theme of federal financing alternatives in the 1980's just as access has been the theme of the 1970's. We agree that students must not be unduly burdened with loan indebtedness and that between 50-75% of total cost should be born by the family to the extent they are able and federal grant resources leaving the balance to be covered by direct parent or student self-help effort or a given state and/or institution's own committment.

However, I wish to concentrate my remarks on less global and philosophical considerations and emphasize technical alternatives which I believe in and of themselves will make the programs more sensitive to our student's needs.

I believe that the current programs have, generally speaking, proven the test of time and therefore should be continued with some alterations. I am currently speaking of the Basic Educational Opportunity Grant, Supplemental Educational Opportunity Grant, College Work Study, National Direct Student Loan, and the Guaranteed Insured Student Loan Programs. They are admittedly not perfect by any means; however, each serves a distinct purpose which justifies its continued existence. I shall discuss them in the order of grant programs and then programs of self-help.

GRANT PROGRAMS

Basic Educational Opportunity Grant Program (BEOG)

In reference to the Basic Educational Opportunity Grant Program, several considerations should be supported to make the program more viable in the years to come as follows:

1. Retain the half-cost provision.
2. Increase the maximum grant from $1800 to $2400 by the 1982-83 academic year and adjust the maximum annually for increases in the Consumer Price Index.
3. Revise Student Eligibility Index formulas annually to reflect economic realities.
4. Fund an administrative expense allowance equal to 5% of expended funds.
5. Extend eligibility to students earning a second bachelor's degree to the extent that they have not received full semesters of entitlement during their first degree program.
6. Do not adopt the BEOG analysis as the single national needs analysis system.
7. Retain the Multiple Data Entry approach for delivery of BEOG awards.
8. Resist the impulse to simplify the application to the exculsion of eliminating assets or other important information. Income alone is not a reliable measure of financial ability.

Supplemental Educational Opporutnity Grant Program (SEOG)

I believe the following points would enhance the viability of the SEOG program.

1. Eliminate the distinction between Initial and Continuing year allocations or allow direct transferability between the two at institutional discretion.
2. Change the allocation formula to a need indexing system rather than a state by state distribution formula.
3. Fund at no less than 20% of the BEOG appropriation.
4. Authorize intrastate reallocation of unused funds.
5. Allow present matching sources up to $250 but dollar for dollar by state or institutional grant funds for SEOG amounts over $250.

6. Eliminate the $200 minimum grant award.

7. Extend academic years of eligibility to five full academic years (six for five year programs) or until the bachelor's degree is received, whichever occurs first.

8. Raise the annual maximum to $2000 per year, $10,000 aggregate for four year programs and $12,000 for five year programs.

9. Increase the administrative expense allowance to 5% of expended funds.

SELF-HELP PROGRAMS

College Work Study Program (CWSP)

In reference to the College Work Study Program, several changes would enhance the goals of not only providing much needed monitary assistance to students, but make the job experience a more useful and beneficial one.

1. Require the federal minimum wage as the base for all CWSP positions.

2. Remove the prohibition of working in a non-CWSP position in lieu of family contribution and allow non-federally subsidized earnings to be used in this capacity.

3. Gradually move the institutional/agency matching requirement to 50/50 rather than 80/20 to expand need based earnings.

4. Permit employment in "for profit" business establishments in general or at least where the institutional can certify that an academically related job experience is not available on campus and the off-campus experience is academically related.

5. Allow up to 20% transferability between CWSP and SEOG.

6. Increase the administrative expense allowance to 5% of expended funds.

7. Permit CWSP earnings to be disbursed on a stipend basis similar to most graduate assistantship procedures for graduate level students, rather than on a strict hours per week basis.

Loan Programs

The time has come to assure loan accessibility for every student in need of such a loan to meet demonstrated need. Further, it is imperative that the terms of the several loan programs be made compatable with common provisions for interest, repayment terms, annual and aggregate loan limits, and cancellation and deferment priveleges. While discussion of the above has most often been addressed to the National Direct Student Loan and Guaranteed Insured Student Loan Programs, we have further confusion for those Health Profession students who have received loans from all these programs, and believe me, there are many. We must not be put off by those who say that since Health Professions Loans are not under Title IV, nothing can be done. All student aid programs, I believe, should be compatable.

Some would suggest going to one loan program. Others suggest retaining the separate programs but making common provisions. I can support either approach as long as it is well thought out, regulations are finalized and distributed before implementation of the programs, and it has been thoroughly researched to demonstrate that whatever approach is accepted, it clearly meets the needs of our students. I frankly doubt that a massive overhaul of loan programs at this time could achieve these seemingly simple criteria. Therefore, with much regret, I must advocate making relatively minor changes to the programs for the present while urging the U.S. Office of Education and the various associations to commence immediately a loan study group to research the various loan alternatives and implications for the future in time for legislative reauthorization in 1984. This study should also review the possiblity of a national parent loan plan in addition to student loan programs.

Several of the proposed immediate changes I would suggest for the National Direct Student Loan Program are as follows:

1. Permit Sallie Mae to purchase NDSL notes and consolidate obligations of those with GISL notes.
2. Extend academic years of eligibility to five (six for five year programs) or until the bachelor's degree is received, whichever comes first.
3. Permit borrowers who have repaid all or a portion of a prior NDSL to reborrow upon returning to school the amount previously borrowed in addition to remaining eligibility amounts.
4. Revise loan aggregates to $12,500 for undergraduates, $25,000 for graduate and $60,000 for professional students.
5. Require collections by the Office of Education to be returned to the NDSL National allocation, not to the U.S. Treasury.
6. Exempt cancellation provisions from federal taxation.

7. Require the U.S. Office of Education to provide the names and addresses obtained from IRS, etc. to institutions and other organizations attempting to collect on NDSL obligations.

8. Permit graduate repayment schedules depending on the amount borrowed such as that advanced by the Consortium of Financing Higher Education:

    - up to $10,000-ten year repayment at $30 per month minimum

    -over $10,000-add one year per $1,000 to a maximum of 20 years.

In reference to the Guaranteed Insured Student Loan Program, I would propose the following suggestions:

1. Retain education lender eligibility and eliminate the letter of rejection requirement before loans may be made.

2. Eliminate the one half cost restriction on freshman loan amounts for educational lenders.

3. Extend academic years of eligibility to five years (six for five year programs) or until the bachelor's degree is received, whichever comes first.

4. Revise loan aggregates to $12,500 for undergraduates ($15,000 for those in five year programs), $25,000 for graduate and $60,000 for professional students.

5. Require the U.S. Office of Education to provide the names and addresses obtained from IRS, etc. to institutions and other organizations attempting to collect on FISL obligations.

6. Permit graduated repayment schedules depending on the amount borrowed.

There are other major issues concerning student aid that I have not addressed at this time. In my mind, these relate to the application and delivery process and the needs analysis methodology. Suffice for my comments to state that I believe the present Multiple Data Entry system to be desirable over a single application and processor. Further, I believe Uniform Methodology to be a desirable system of need determination over the present BEOG rationing system. Finally, don't be misled by individual's in the Office of Education who are forcing a single simple form for application purposes. Simple does not necessarily mean shorter nor equitable in the determination of who most needs our limited student assistance. Some may believe that these issues are administrative in nature and not legislative for discussion during the reauthorization process. I disagree. If reasonable administrative processes are not established, they may have to be legislated.

I will forward more complete thoughts on this in the near future and thank you for your attention to my remarks.

Sincerely,

Robert C. Walling

Robert C. Walling
Director

cc Frank H. T. Rhodes
President, Cornell University

Hon. Joseph A. Califano, Jr.
Secretary of the Department of
Health Education and Welfare

REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

Part 3—Student Financial Assistance

WEDNESDAY, MAY 9, 1979

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to notice, in room 2261, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Weiss, Buchanan, and Petri.

Staff members present: Thomas R. Wolanin, staff director; Patricia F. Rissler, deputy staff director, and William Clohan, minority assistant education counsel.

Mr. Ford. Thanks to Mr. Weiss, we now have two members with whom to proceed with our hearings. I am sure that other members will try to get in. We are beginning to run into time conflicts.

Once again, we apologize to the people who were on the panel yesterday when, because of the full committee meeting that was considering the ACTION program, a controversial piece of legislation these days, the members of this committee had to leave and participate in the markup and the reporting of that bill. So we were unable to complete the hearing yesterday.

The statements prepared by the witnesses who appeared yesterday are now in the record of yesterday's hearing in full, and the witnesses, rather than return, have agreed that if any members wish to submit questions to them, they would be most happy to respond in writing so that they will appear in the record together with the statement.

Today's hearing will continue our consideration of the student financial assistance programs authorized by title IV of the Higher Education Act. We will continue our hearings on some of the general issues and topics that cut across all of the student financial assistance programs.

The witnesses this morning will describe the system for granting eligibility to institutions of higher education to participate in the programs authorized by the Higher Education Act, particularly the student financial assistance programs.

This system establishes the mechanism and the criteria by which a postsecondary institution is recognized as an institution of higher education under the law. It is, therefore, eligible to have students use the Federal student financial aid at that institution.

As witnesses addressing this topic we will hear this morning from Harold Orlans, the author of "Private Accreditation of Public Eligibility", and Graeme Baxter who, until recently, was the Associate Commissioner for Executive Operations in the U.S. Office of Education.

The second topic to be discussed this morning is the impact of Federal student financial assistance programs on the pricing policies of the private and public institutions of postsecondary education.

There has been more than a little concern expressed that increased Federal student financial aid is, or may be, absorbed by increases in tuition and other charges designed to capture the Federal dollars, or that Federal student aid funds will be substituted for State and institutional dollars as States and institutions reduce their commitment to aid students.

A panel of witnesses representing the perspectives of the private and public sectors of postsecondary education will address this concern this morning.

And finally, our third panel of witnesses this morning will discuss the recommendations that have been made by a number of postsecondary education associations that students attending postsecondary educational institutions less than half time be made eligible for Federal student financial assistance.

Currently, of course, the student must be attending at least half time in order to be eligible for any Federal financial aid.

Our hearing yesterday had to be cut short, as I mentioned, because of an interference from the full committee. We do not expect that kind of interference today. We hope that we can accommodate all of the panelists whom we have scheduled this morning.

First, we have Mr. Harold Orlans and Ms. Graeme Baxter. Without objection, the prepared statements submitted to the committee by these witnesses will be included in full at this point in the record.

You may proceed, Mr. Orlans, to comment on your statement, add to it, or highlight it in any way in which you feel that it would be helpful to us and the record.

[The prepared statements of Mr. Harold Orlans, Senior Research Associate, National Academy of Public Administration, Washington, D.C., and Ms. Graeme Baxter, associate director, Consortium of Universities of the Washington Metropolitan Area, Washington, D.C., follow:]

Testimony of Harold Orlans, Senior Research Associate
National Academy of Public Administration
Washington, D. C.

I will briefly describe the system used by the Office of Education to establish the eligibility of postsecondary institutions, schools, and programs to participate in federal student aid, indicate some of its problems, and suggest some actions that I think are desirable.

Most students receiving OE grants and loans attend higher educational institutions. A comprehensive but deliberately incomplete directory of these is issued every year. The latest (1977-78) edition listed 3100 two- and four-year colleges, universities, and specialized professional schools offering degrees in one or more fields. Virtually all institutions in the directory are eligible for OE student aid programs, which is not surprising, since the rules for inclusion are similar to those for establishing eligibility. Several hundred institutions (many, reputable, small, and specialized; some, disreputable) are excluded from the directory and from eligibility.

Several hundred thousand students with OE aid attend vocational public and proprietary schools--"institutions" would be inappropriate; "businesses" or "corporations" would also be correct. They have teachers, not faculty (most, on short-term contracts and not unionized); offer certificates, not degrees; and operate on a clock-hour day and week class schedule like a high-school. Many public vocational schools are large, independent institutions; others are really postsecondary programs lodged in high-schools. Proprietary schools range from barber schools with half a dozen students to correspondence schools with 50,000. About 1,060 public and 2,200 proprietary vocational schools (out of a national total of perhaps 1500-2000 public and 10,000 proprietary schools) are eligible for OE aid.

A comparatively small number of students with OE funds (as a guess, about 30,000) attend two other kinds of schools or programs: medical technology and nursing programs at some 1500 noneducational sites such as hospitals, clinics, and laboratories; and 850 foreign institutions.

Altogether, 8800 institutions, schools, and programs were on the OE eligibility list in December 1978. About 6900 acquired eligibility because of their accreditation by a private accrediting agency recognized by the Commissioner of Education; the 850 foreign institutions were rendered eligible directly by OE staff; 800 public area vocational schools, by statute and inclusion in state plans; and the remaining 200, by action of the advisory committee to the Commissioner or by several other methods: approval by one of 18 state agencies in 14 states recognized by the Commissioner for the approval of public vocational education or nursing programs; certification that a college had "reasonable assurance" of obtaining accreditation or that its students had had credit accepted upon transfer to an accredited institution.

As can be seen, the eligibility system is based mainly on private accreditation. True, a school must be legally authorized to operate in its state, but this provision has little force since many states have lax licensing laws and/or enforcement, especially for nonprofit colleges; accredited colleges are often exempt from licensure; and OE has not been systematically informed about state licensing actions.

As most colleges are regionally accredited or preaccredited, most have been eligible for student aid. However, the requirement of accreditation has excluded thousands of (mainly small) proprietary schools and hundreds of public vocational schools from OE programs. It has been a boon to the several agencies accrediting proprietary schools; because of their monopolistic power over access to eligibility, the number of schools they have accredited has risen markedly.

As for the regionals, the vital, quaint, and amateurish heartland of institutional accrediting: it is difficult to separate the federal financial motive from other factors, but the New England Association, which had been a club, began formal accreditation two years after a simpler state approval for veterans benefits was linked to accreditation in 1952. All the regionals have reluctantly but plainly responded to the carrot of federal funds and the stick of the Commissioner's increasingly detailed criteria for recognition. They acceded to the Commissioner's request that they grant "reasonable assurances" of accreditation; have accredited a growing number of vocational schools and even a few proprietary colleges (though the Southern Association was recently called on the OE carpet for withholding accreditation from a business college whose only crime was that it was proprietary). A few years ago, critics charged that the regionals were "elitist" bodies which obstructed the growth of nontraditional education. Today, the opposite charge is made: that they have sanctioned feeble education, exempted it from state review, and, in general, failed to withstand meretricious practices in advertising, recruiting, credit giveaways, and easy grading which are making a mockery of higher educational "standards."

The palpable failure of accreditation to vouch for the quality of either higher or vocational education has led Congress and the Veterans Administration to extend to accredited institutions some approval requirements formerly reserved for unaccredited institutions. Recognition by the Commissioner is supposed by law to indicate that an accrediting agency is a "reliable authority as to the quality of training offered by an educational institution,"[1] but George Arnstein has stressed the simple truth which everyone but accreditors and OE staff will acknowledge, that these agencies provide at best an unreliable assurance of quality.[2] It can hardly be otherwise given the size, complexity, and constantly changing character of the postsecondary enterprise; the pressures of the educational marketplace; the technical difficulty and moral, political, and legal delicacy of quality judgments; the limited resources of accrediting agencies; and their disinclination (like most collegial bodies) to discipline their members.

Despite these obvious facts, despite widespread concern about the deteriorating quality and integrity of higher education, OE staff have spoken of accrediting as "the best possible means for determining educational quality and institutional probity."[3] OE has relied excessively on accreditation to establish and remove school eligibility for student aid. The list of accrediting agencies recognized by the Commissioner has grown from 28 in 1952 to 72 in 1979, including many specialized agencies serving no eligibility function. In these 27 years, recognition has been withdrawn from only two agencies and from none whose recognition served to establish eligibility. OE cannot do so, regardless of how slovenly an agency's performance may be, without withdrawing eligibility from many worthy schools, since it has no other means (but the ad hoc, interim action of an advisory committee) to establish and maintain the eligibility of many postsecondary schools. "Having tied the eligibility of degree-granting institutions predominantly, and that of proprietary...[schools] exclusively to accreditation, it has no practical alternative to relying upon accrediting agencies be they technically good or appalling."[4]

Despite the many commendable features of accrediting as a voluntary private effort to certify and improve educational quality, the Office's policy of relying on it has been blind to facts a child can see:

1. Accrediting is undertaken in the interest of, and financed by, accredited schools. Any service it may render the public, students, or the government is secondary, not central, to that interest.

2. Accrediting is of secondary, not primary, importance to most of the professional associations which sponsor it and to the presidents of leading institutions. It has rarely received the funds, the support, or the prominent leadership necessary to fulfill the aspirations of accreditors.

3. Because of their lowly position and budgets, accrediting agencies remain, with few exceptions (such as the agencies accrediting medical schools and hospitals), penurious, relying heavily on volunteers for visiting tenas and on the voluntary cooperation of schools for the enforcement of standards. They cannot, without changing their nature, police their schools through such common tactics of police forces and inspectors as unannounced inspections, the use of undercover agents and informants, and the public disclosure and trial of charges. They cannot even (like a research institute or educational testing service) act as independent evaluators, insofar as that would conflict with their solicitous and cooperative relation with their member schools. And it would be a breach of faith for an accrediting agency to disclose confidential information about the financial or educational problems of an accredited school, even if that disclosure would be in the public interest.

4. The financial and technical limitations of institutional accrediting —the five- or ten-year cycle between visits, the brevity of the visit, the number and breadth of questions examined, the maintenance of confidence about the standards which are violated and probationary status, and the impossibility of assessing the quality of every program or even visiting every site of large institutions operating

many locations scattered across the state and nation--render it, as we have noted, an unreliable indicator of the quality of education a student will receive in a given program.

From the standpoint of the public and government, accreditation affords inadequate assurance that the value and limitations of a school and the content and usefulness of specific programs is honestly described in advertisements and catalogs; that a school will admit and retain only qualified students; that it will promptly report dropouts and will refund a fair amount of tuition to students who drop out or do not register; that it will keep accurate academic and financial records; and that it will not go bankrupt.

In the last two years, such facts have been more fully recognized at least by some OE officials, and steps have been taken to modify the Office's eligibility system. On the whole, these steps deserve support and encouragement, but the full nature of the revised system is unclear and serious difficulties will undoubtedly remain. It would be foolish to expect any simple or final, let alone cheap, solution to the horrendous problems of accurately identifying, and confining federal funds to, honest and useful schools and programs.

In 1977, the HEW Secretary's Study Group on Student Financial Assistance found that "accreditation alone is not a sufficient guarantee of the competence and willingness of the institution to manage Federal aid funds in accordance with the law."[5] In accordance with the Study Group's recommendations, a new staff was established to certify, limit, suspend or terminate eligibility, which will no longer be granted for an indefinite, but for a fixed, period. (The Study Group had recommended annual renewal, but practical realities soon made this a three year period.) A school must submit a financial statement and certify its conformity to OE regulations, including the provision of honest information on its programs, charges, and placements, and the maintenance of a standard of student progress, records of enrollment, financial aid, and refunds. A new OE staff of 140 review these and undertake field inspections to determine compliance. As of the end of last year, about 5 percent of new school applications had been rejected. Over 500 "problem schools" had been inspected; the participation of ten had been limited and five, terminated. It is too early to say if this is a reasonable or mouselike outcome of elephantine efforts.

A major battle has been raging between the Commissioner's office and the staff responsible for examining the applications of accrediting agencies--they are called "petitions," as if the poor agencies were under some kind of sentence --for initial or renewed recognition. The Commissioner would like to relax the regulatory reins, to confine recognition to agencies which establish eligibility, and to shorten and simplify the criteria for recognition. On all three counts, I think he is right. The Office now has in its certification and auditing staffs the means to administer and enforce whatever direct regulation of postsecondary institutions is desirable (though the efficacy of much regulation is debatable; perfidious men will not heed and honorable men do not need it). It is ineffective and misguided to browbeat or cajole accrediting agencies to do, or purport to do, what they are not constituted, willing, and able to do. And there is a clear danger that tighter government regulation of accrediting will introduce additional political factors into judgments of institutional quality.

The Carnegie Council on Policy Studies in Higher Education has just issued a report disagreeing with the position that the Commissioner, who will soon become its director, has taken. The Council recommends sterner federal regulation of accrediting agencies and stricter, more professional policing by the regionals of college finances, advertising, recruiting, catalogs, off-campus programs, and ethical conduct.[6] That is like telling a good and faithful dog to bite his master. The regionals remain agents of college and university presidents and it is unreasonable (albeit often convenient) to hold an agent responsible for the actions of his principal. If private or government action is needed to maintain the probity of higher educational institutions, it should be taken by and addressed to the presidents and trustees, their legislatures and faculty, not the regional accreditors whom they have kept on thin rations for long years. If the regionals start seriously to accredit off-campus programs, they will be accrediting programs, which they have never done, is an inordinate task, and may revive the war which institutional presidents and program accrediting associations have been waging for decades. It is not a war that the presidents have been winning.

When Charles Saunders of the American Council on Education issued a call for stronger self-regulation by colleges and universities,[7] the ACE did not assign to the regionals a burden they could not discharge. Instead, it has formed task forces of qualified professionals to examine the special problems of their domain: the university business officers, financial practices; the registrars and admissions counsellors, admissions and recruitment; and so forth. That is a more realistic approach to self-regulation. However, the National Collegiate Athletic Association has not eliminated college sports scandals, the Association of American University Professors has not maintained high grading standards, the Association of Collegiate Registrars and Admissions Officers has not maintained high admission standards, and the National Student Association has not stopped student cheating on exams and loan defaults. It is too sanguine to expect college administrators to hold back the demographic and economic tides of the 1980s and to maintain high standards of probity when lower standards enhance survival. There are, unfortunately, inadequate rewards for unemployed college presidents and professors of unimpeachable integrity. The Congress can legislate against student bankruptcy, but can it legislate good student income, conduct, and performance, industriousness, and an urge to repay debts?

Changes in the eligibility system should above all be realistic, which is to say, practicable: clear, technically feasible, modest, and economical.

On this test, a number of changes seem to me desirable.

1. The Commissioner's criteria for recognizing accrediting agencies should be simplified and the list of recognized agencies confined to those necessary for establishing eligibility, as the Commissioner is now proposing. (Where a specialized accrediting agency establishes eligibility for only a few, free-standing schools, they could be made eligible by action of the Commissioner's advisory committee; or recognition should be confined to the schools for which it establishes eligibility.)

2. If the Commissioner continues to recognize agencies whose accreditation serves no eligibility purpose, they should be identified on the list and charged a fee to cover the cost of the now gratuitous service.

3. The Office should not try to get recognized agencies to jump through more hoops, but should deal directly with students, institutions, and lenders in imposing any regulations necessary to protect public funds and interests.

4. The Commissioner's list of recognized agencies should include information on the term for which recognition is granted and the criteria which each agency

has, and has not, met so that persons using the list can form a better judgment of the agency's reliability. (This information, contained in the annual report of the Division of Eligibility and Agency Evaluation, should be appended in convenient form to the published list.)

5. The list should be prefaced with a balanced statement of the value and limitations of accreditation, instead of the current promotional statement about the "the invaluable contribution which the voluntary accrediting associations have made to the development of educational quality...."[8] In overpraising accrediting, the Office misinforms and misleads students and the public about the quality and probity of many accredited institutions.

6. How many and what kinds of institutions engage in misleading advertising and recruiting? How many award excessive credit? How many issue catalogs with false, misleading, and inadequate information (the Carnegie Council said, up to 81 percent)? How many award excessive credit, easy grades, and easy degrees? How many disqualify few applicants, fail few students, give low refunds, and graduate students--and employ faculty--who cannot spell, punctuate, or hyphenate correctly? The answers to such simple and objective questions will tell us more than accreditation does about prevailing educational standards. The Office should conduct or sponsor the necessary inquiries to inform the public about the number and kinds of institutions with good, bad, and indifferent standards.

7. Some of the problems which recent OE regulations have posed arise from the growing disposition to treat academic and vocational schools and programs alike. The Office has applied identical disclosure and accounting rules to universities and barber colleges, as Commissioner Terrell Bell has acknowledged. "...many long, well-established institutions...like Harvard, Stanford, and so on,

are being subjected to the same rules as a small barber college...under the present statute, we can't have different sets of rules...."[9] If that is true, the statute should be changed. It makes more sense to adopt regulations and procedures which are comparable but not identical for each major educational sector.

8. At its March 29. 1979 meeting, the Education and Rehabilitation Advisory Committee to the Administrator of the Veterans Administration recommended that he "take all possible steps to improve the coordination and consolidation of approval and regulatory efforts between the VA and Office of Education and other agencies." This is a good time to seek greater cooperation and comparability between the VA and OE information, eligibility, and regulatory systems. The number of veteran trainees is declining and the staff of many state agencies which approve courses for veterans will gradually be reduced if continued use cannot be made of their experience. They are most knowledgeable about vocational and proprietary schools which present central eligibility and regulatory problems for the Office. (More proprietary schools are eligible for veterans benefits than for OE aid, since, unlike OE, the VA-state agency system approves courses at unaccredited proprietary schools.)

9. During much of the decade, conferences of state and federal educational officials and accrediting staff have repeatedly agreed on the desirability of a network to exchange information on the licensing, accrediting, and approval status of postsecondary schools, but little has been done to establish one. By amalgamating their current lists of eligible and problem schools and programs, VA and OE could establish a valuable, current source of information useful for federal, state, and public purposes.

10. The Office is seeking a way to establish and strengthen state licensing agencies, but not to strengthen them so much that they threaten academic freedom or private accreditation. The proper degree and scope of state licensing power and the proper methods of achieving it are hard to define. Attention may well start with states which, lacking adequate licensing laws, are a weak link in the nation's chain of protection against degree mills. The function of student consumer protection is better lodged with the states than with accrediting agencies, though many states have done a poor job of it. The matter of interstate traffic in education, where the federal government has a constitutional obligation, deserves attention to maintain the standards of out-of-state offerings, to bar discrimination against out-of-state institutions, and to combat the growing parochialism of state institutions which set high tuition and low quotas on the enrollment of out-of-state students.

Anyone concerned about decent standards and practices by postsecondary institutions and a fair value for federal expenditures on their students has a lot to be concerned about.

Footnotes

The views presented are solely mine and not those of the National Academy of Public Administration or any government agency. A brief part of this statement comes from a paper on The Federal Regulation of Accrediting which I wrote for the Sloan Commission on Government and Higher Education (which in no way represents the views of the Commission, which are unknown to me). Some passages draw upon Other Agency Approval and Regulatory Systems, a chapter prepared by Nora Jean Levin for a study of the veterans course approval system which we are both working on, with other colleagues, for the Veterans Administration.

1. Sec. 1775, Title 38, U.S. Code.

2. See George Arnstein, "Two Cheers for Accreditation," Phi Delta Kappan, January 1979.

3. R.S. Pugsley, U.S. Office of Education, "The Consumer Interests in Voluntary Accreditation," address to the New England Association of Schools and Colleges, Dartmouth College, October 19, 1976.

4. Harold Orlans, N. Jean Levin, Elizabeth Bauer, and George E. Arnstein, Private Accreditation and Public Eligibility, National Academy of Public Administration Foundation, Washington, D.C., 1974, p. 188.

5. Recommendations for Improved Management of the Federal Student Aid Programs, A Report to the Secretary by The Student Financial Assistance Study Group, U.S. Department of Health, Education, and Welfare, June 1977, p. 29.

6. Carnegie Council on Policy Studies in Higher Education, Fair Practices in Higher Education, Jossey-Bass, San Francisco, 1979, pp. 63-4, 70.

7. Charles Saunders, "How to Keep the Government from Playing the Featured Role," Educational Record, Vol. 59, No. 1, Winter 1978, pp. 61-9.

8. Prefatory, boxed statement to Nationally Recognized Accrediting Agencies and Associations, Division of Eligibility and Agency Evaluation, Office of Education, March 1978.

9. In Guaranteed Student Loan Program, Hearings Before the Permanent Subcommittee on Investigations of the Committee on Government Operations, U.S. Senate, 94th Congress, First Session, December 10 and 16, 1975, Part 2, p. 472.

THE OFFICE OF EDUCATION'S SYSTEM FOR DETERMINING INSTITUTIONS' ELIGIBILITY FOR FEDERAL POSTSECONDARY EDUCATION PROGRAM FUNDS

Testimony of Graeme Baxter, Associate Director

Consortium of Universities of the Washington Metropolitan Area

before the
Subcommittee on Postsecondary Education
Committee on Education and Labor,
House of Representatives

May 9, 1979

Not for release before 9:30 a.m.
May 9, 1979

Mr. Chairman, Members of the Committee, my name is Graeme Baxter. Presently, I am Associate Director of the Consortium of Universities of the Washington Metropolitan area. Just previous, I served in the Office of Education as Assistant Commissioner for Executive Operations. Before coming to Washington, I was Vice President of the New York State agency that administers New York's student aid programs and, before then, I was Assistant Academic Dean of a liberal arts college.

While working with Dr. Boyer in the Office of Education, I chaired the task force he created to examine the relationship between OE and private accredition. I also worked on the reauthorization task force assigned to deal with institutional eligibility.

Having experienced higher education and government from institutional, state and federal positions, I am particularly glad now to have the opportunity to share with you some thoughts on a matter this experience has taught me is absolutely critical to any whole discussion of the Higher Education Act. That matter is how the Office of Education does and should determine which schools, colleges and universities are basically eligible, which are fundamentally worthy, to participate in the programs authorized by that Act.

We are talking about how OE trys to guard the doorway to the bank of billions of federal postsecondary education dollars, how OE attempts to see that only those institutions which in fact educate students - the point of the enterprise after all - are allowed to apply for a portion of that large and growing taxpayer investment in the future.

We are talking about trying to test for that most difficult, most crucial matter at the heart of the education enterprise, QUALITY.

PRESENT SYSTEM - CONCEPT

Some history and a look at the present system.

The system presently used by OE and by some other federal agencies to determine postsecondary institutions basic eligibility for federal funds originated in the Veteran's

Readjustment Assistance Act of 1952. This law stated that those State Agencies charged with approving courses for purposes of determining individuals' eligibility for Veterans Education Benefits could approve courses offered by institutions which were "accredited and approved by a nationally recognized accrediting agency or association". The statute also required the Commissioner of Education to "publish a list of nationally recognized accrediting agencies and associations which he determines to be reliable authority as to the quality of training offered by an educational institution" (my emphasis).

This statute was and is now echoed in Section 1201 of the General Provisions of the Higher Education Act where educational institution is defined.

According to this provision, to establish general eligibility to participate in Office of Education programs, to get through the door, a postsecondary institution must generally be:

(1) authorized by the State in which it is operating and

(2) accredited by a nationally recognized accrediting association approved by the Commissioner of Education.

Alternatively, non-profit schools may also be deemed eligible if they meet standards for:

— satisfactory assurance, meaning the school shows that it will meet accreditation standards within a reasonable time;

— the three-letter rule, meaning the school's credits and transferring students are accepted by at least three accredited schools:

- interim approval, meaning the school lacks access to a nationally recognized accrediting agency and is deemed eligible by OE's Division of Eligibility and Agency Evaluation; and
- State approval, meaning, per the "Mondale amendment" the school may be eligible if it is a public postsecondary vocational institution approved by a State agency approved by the Commissioner for this purpose.

The system is idealistic, based on trust and the revered tradition of self-regulation in education. Basically it, relies for quality judgments on private voluntary accrediting bodies which are supported solely by their members, the institutions they accredit. The present system at least pretends to keep the federal hands off academe while providing the illusion of oversight and accountability.

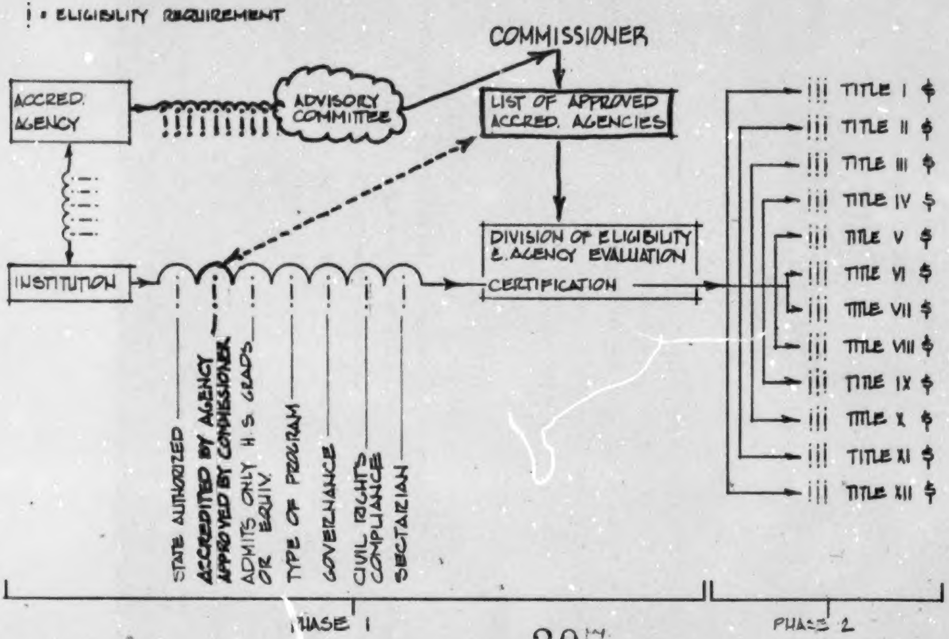
PRESENT SYSTEM - PRACTICE

On the following page is a picture of the OE institutional eligibility determination process in practice as it has evolved from one line in the Higher Education Act. Unfortunately, we have here a classic tale of a bureaucracy developing a life and a constituency of its own as it becomes increasingly disconnected from its statutory base and original purpose -- the determination of accrediting agencies' ability to screen institutions for quality.

It is important to note that the total eligibility determination process now is a two-phase one. An institution first establishes its general eligibility, gets its foot in the bank door, so to speak, by meeting one set of requirements, those which are supposed to focus on quality. If it meets those requirements, it is then permitted to apply to the various individual program, each of which may have its own additional, generally more

OFFICE OF EDUCATION

SYSTEM FOR DETERMINING INSTITUTIONS' ELIGIBILITY TO PARTICIPATE IN FEDERAL POSTSECONDARY EDUCATION PROGRAMS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PHASE 1
PHASE 2

specific eligibility requirements. I am focusing here on the quality test aspects of the system, those shown in red on the flip chart.

As I have tried to show, the test for quality is an indirect one. The institutions are supposedly tested for quality through a testing of the agencies that accredit them. This indirect quality test aspect of the eligibility determination system has developed over the years as follows:

In 1952, the Office of Education issued the first "Criteria for Nationally Recognized Accrediting Agencies and Associations". The initial list showed 28 accrediting organizations. From that time until about 1965, the Commissioner, with virtually no administrative fanfare, published a list of well-established accrediting organizations that met certain basic criteria.

In 1965, OE began formalizing the reliability determination process. In 1969, OE issued revised and expanded criteria. In 1974, OE further revised and further expanded the criteria.

Now an agency or association wishing to be listed must file about a 30-page application outlining how it meets about 47 criteria.

The process has grown with the criteria. Now OE's Division of Eligibility and Agency Evaluation (DEAE) analyzes, in terms of the 47 criteria, the information in the application. DEAE staff then present the analysis and recommendations to a 15 member, non-statutory Commissioner's Advisory Committee on Accreditation and Institutional Eligibility. That committee then recommends to the Commissioner interim or final approval or disapproval for listing.

If an accrediting body fails to meet some of the criteria for reliability, the procedure usually has been to award it interim approval and listing anyway, with a requirement that it file yet another report in a year or so on its progress towards meeting those standards it previously failed to meet. The funds, naturally, continue to flow to those institutions accredited by an agency with only interim approval.

Now, the original list of 28 accrediting agencies has grown from 28 to about 80. Some bear a relationship to federal funding eligibility. Others have no relevance to eligibility but like being listed for public relations, public credibility purposes.

In 1965, the eligibility determination process required these staff people and a tiny budget. In FY 1978, the process, based on one sentence in the law, as expanded over the years by regulation and policy, required 27 full-time staff members, plus a plethora of consultants, plus 15 Advisory Council members and a budget of almost $1,000,000.

THE PROBLEM

Unfortunately, the system does not work.

There is growing unavoidable and embarrassing evidence that increasing numbers of institutions, particularly those struggling for survival, cannot be trusted educationally and that private accrediting bodies are neither inclined nor equipped to disapprove, screen out these schools in a way that would protect the public interest.

Despite the expenditure of that one million dollars annually to screen for "quality" through its elaborate process for determining institutions' basic eligibility for funding, it has become clear that OE, working with private accrediting organizations, cannot protect students, parents, and taxpayers, whose dollars continue to be too often invested and wasted in those institutions which:

- — offer poor-quality academic and vocational programs which fail to provide students with the intellectual or manual skills they want and need;
- — maintain low or no grading and retention standards so that students not progressing, unable or unwilling to take advantage of the programs offered, are maintained in those programs, often at the public expense

This practice is resulting not only in the waste of the funds supporting that student but also in the deception of the student as to his or her abilities and the working world's standards.

It is usually at this point that someone says, "Oh, you mean the proprietary schools". I do not mean just the proprietary schools. Some well-known, respected universities and colleges, public and private are party to this problem, particularly in their off-campus programs, as are other not-for-profit institutions. It is too easy, in my opinion, to make the proprietary schools the scape-goat.

An example with which I am personally familiar might focus the problem.

A four-year non-profit, private liberal arts college offered off-campus programs for the elderly. In at least some of the centers, part-time so-called "adjunct" faculty conducted the rough equivalent of read-aloud twice a week for a total of about 4 1/2 hours. No homework was assigned. The college classified these students as full-time and matriculated. Each received full federal Basic Grants as well as full state grants for a total of $2,900. The students, by the way, never saw the money and, at least in some instances, were unaware they were degree candidates.

This institution was and has continued to be accredited by a regional accrediting association and by the Regents of the State. It was and continues to be eligible for federal funds.

The key, it should be noted to making these students eligible and, thus, maximizing the institution's funding was the lowering of the academic standards for full-time and degree candidate status.

It is this phenomenon, this waste, the OE eligibility determination system exists to protect us from. It does not. Why?

First the system does not work because it places responsibility where there is no authority. The federal government, OE in this instance, is forbidden from interfering with the substance of the educational process. How, then, can it control for quality? While the system pretends, with its reliance on accreditation, to get around this problem, in reality it just avoids solving it.

Second, the system does not work because it is based on assumptions about education and accreditation that are no longer or have never been true. The law and the present trustful, idealistic system for determining institutions eligibility for federal postsecondary education funds assume:

— a collegial higher education community with a common understanding of an at least vaguely measureable characteristic called quality;

— idealistic institutions and faculties focused on students and educational quality, not on more mundane matters like salaries, security, and survival.

Education has changed. What in 1952 was the higher education community has become the madding postsecondary crowd:

— Academic standards in some institutions have been confused by so-called educational "innovation", the press for universal access, budgetary pressures and the failure of some secondary schools to provide graduates adequately prepared for postsecondary training.

— This confusion has been tolerated and even encouraged by budget-worried and enrollment-starved institutions which benefit from the lower overhead costs of some innovative programs and from "access" - expanded enrollments.

-- Many once idealistic institutions and faculties have become pragmatic. Insecure, they have changed their focus from student growth and program substance to enrollment numbers and survival.

-- Meanwhile, the federal government has, by pressing for access and by granting vast numbers of students the wherewithal to attend, provided institutions with an excuse and substantial fiscal incentives to lower standards.

About accreditation, the law and OE's eligibility determination system assumes:

-- accrediting agencies with clear, common standards for measuring quality;

-- accrediting bodies with the mission to monitor those standards at the institutions;

-- accrediting bodies capable of making objective judgments about their own members' quality;

-- accrediting bodies with the resources to monitor institutions' performance consistently enough to ensure protection of the federal investment;

In fact, accrediting agencies lack the mission, the desire, the political position and the resources to enforce any kind of specific standards.

As President of the Council on Postsecondary Accreditation (COPA) has said:

> "Over the years," he points out, "accreditation steadily has moved away from utilization of quantitative criteria and minimum standards. Instead, educational institutions and programs increasingly have been judged in terms of their own statements of scope and mission, and the emphasis has been placed more heavily on helping institutions to improve than on sorting the 'good' from the bad'."

We seem to have now a sort of "I'm O.K., you're O.K" approach to quality judgements in accreditation.

Even if accrediting bodies were to redefine their mission and become inclined to push a set of absolute quality standards, conflicts of interest and meager resources would prevent them from being reliable at any given point in time for consumer protection purposes. My example college was actually defended by its accrediting agency. Remember, private, voluntary accrediting agencies are financed solely through the payment of membership fees by the institutions they accredit. Note, the best-staffed regional accrediting association has a total staff of 10 people to worry about 916 institutions in its region. Another has 3 to cover 460 institutions. Another 1 3/4 to cover 135.

Not only does the system not work and, therefore, represent in itself a waste of the taxpayers' money, but strong arguments can be made that it even does damage.

First, there is some evidence that this eligibility determination process has in fact contributed to the decline in educational standards. By tying eligibility for federal funds to accreditation, the system makes it almost impossible for an accrediting agency not to accredit an institution. Not to accredit would mean to cut the lifeline. Also, it can be argued that by imposing through regulation numerous procedural requirements peripheral to education, OE has diverted accrediting agencies from their original most important mission, quality assessment.

Another person active in the Council on Postsecondary Accreditation says:

> "The fact that the criteria for eligibility equates accreditation with the three-letter rule and satisfactory assurance has pushed them all to about the same level of reliability so that today effectively anything can find its way to eligibility and the "quality" test in the eligibility determination system is not making any useful discriminations. The problem

> is further complicated by the fact that in some areas (and perhaps more than we would like to believe) accrediting teams and commissions are loath to remove accreditation and cause the school to bear a grievous loss believing they should be concerned with educational quality, and not with putting schools out of business."

The system is also damaging because it is misleading to the public. It is, in effect, false advertising. It pretends that the federal government can monitor quality, which it clearly cannot. It publically ascribes to private accrediting bodies a purpose to which they are not committed, standards which they do not maintain and capacities to protect the educational consumer which they do not and never will have. Thus, the system perpetuates a myth which lulls the student, the parent, the taxpayer into a false sense of security about the quality of education they are buying when, by being honest about what we can control, we should be encouraging them towards an informed and tough-minded scepticism.

One final point about the present system. Because this basic eligibility determination system has been ineffectual as a quality control mechanism, the managers of the individual programs, most notably the Title IV Programs in OE's Bureau of Student Financial Assistance, have been forced to develop their own accountability controls. These controls are rendering the original eligibility determination system increasingly duplicative on regulation paper and anachronistic in practice.

While some of the bureaucratic faults in the system could be corrected through policy and regulations changes, and Commissioner Boyer is, I know, attempting to make some of those changes, I believe OE's present institutional eligibility determination system, with its reliance on private accreditation for front-line quality control is so fundamentally faulty in the ways I have outlined that tinkering is not going to make it work.

PROPOSAL: TOWARDS REALISM, HONESTY, AND A FEDERAL STATE PARTNERSHIP

So, what do we do?

Having outlined the problem in somewhat gory detail, I am going to suggest that you do something extremely difficult for responsible people -- not try to solve it yourselves.

My hope is that we can view the years of OE's institutional eligibility determination system as an experiment, certainly idealistic and perhaps noble, and as a lesson in the limits of what the federal government can or should pretend to do.

As a realistic, honest and do-able alternative to OE's present system of determining institutions' eligibility for federal funds, I propose the following:

1) I propose, first, we confess we cannot control at the federal level for educational program quality.

2) Second, I propose that the federal government concentrate its efforts on:
   (a) Enforcing those institutional eligibility requirements of the individual programs that are enforceable, checking those institutional characteristics that are measureable, like management capacity, and previous performance in meeting Federal program requirements.
   (b) Encouraging institutions and state agencies to provide students with the information they need to make informed choices about what institutions to attend. OE might, in fact, most effectively and simply, use some of the money saved by eliminating the present eligibility determination system to send each high school junior in the nation a pamphlet on "25 Questions You Should Ask Before Enrolling".

3) I recommend that you eliminate the present statutory eligibility requirement that institutions be accredited by an accrediting agency approved by the Commissioner and leave State agency authorization as the sole general eligibility requirement. This action would give the States the responsibility for education commensurate with their authority.

4) I propose that you consider providing the States with incentives to adopt the licensing and consumer protection standards they alone have the authority to effectively enforce. These standards might be at least akin to those proposed in the model legislation of the Education Commission of the States.

5) Finally, I sincerely hope you can discourage the States from wasting taxpayer dollars on the illusion it can control educational program quality any better than the federal government can. The educationally sinful institution I used as my example, sits in perhaps the most educationally regulated state in the Union.

Adoption of these proposals would, I beleive:

* Eliminate one ineffectual and wasteful source of bureaucratic redtape and useless paperwork.

* Provide the public with an honest picture of what little the government can guarantee in terms of program quality.

* Help the public towards the enlightened scepticism it needs to sort out postsecondary education today.

- Create a clear, rational, realistic Federal-State partnership to protect the public investment in postsecondary education, a partnership which would:
  - — make the States, which are constitutionally responsible for education, more accountable for it;
  - — give the States more clout to do their job;
  - — encourage the establishment within the States of credible and enforceable standards for the measureable aspects of postsecondary institutions' performance.

Adoption of these proposals would also:

- End the misleading public credentialing of private, voluntary accrediting bodies as reliable monitors of program quality.

- Discourage the proliferation of new "accrediting bodies" which gain importance only through their appearance on the Commissioner's "approved" list and apparent relationship to eligibility for federal funds.

- Get the federal government out of the hair of private accrediting bodies so they can do the job they were set up to do: encourage postsecondary institutions' self-assessment and gradual upgrading.

Thank you.

STATEMENT BY HAROLD ORLANS, SENIOR RESEARCH ASSOCIATE, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION, WASHINGTON, D.C.

Mr. ORLANS. Thank you, Mr. Chairman.

I would like, first of all, for those who have the text of my statement to know that I would like to make a correction which will be entered into the record. The reference is to the position that the Commissioner has taken. The Commissioner is sort of like the President. He does not take a position until it is on the public record. So those comments in the text are in error and, shall we say, there are two views in the Office, and the Commissioner has not yet decided which is his. [Laughter.]

Of the 8,800 institutions, schools, and programs on the OE eligibility list as of the end of last year, about 6,900 acquired eligibility because of their accreditation by a private accrediting agency recognized by the Commissioner. Accordingly, the eligibility system is based mainly on private accreditation.

It is true that a school must be legally authorized to operate in its State, but this provision has little force since many States have lax licensing laws and/or enforcement, especially for nonprofit institutions. Accredited institutions are often exempt from licensure, and OE has not been systematically advised of State licensing actions.

The list of accrediting agencies recognized by the Commissioner has grown from 28 in 1952 to some 72—there are slightly different counts—in 1979, including many specialized agencies serving no eligibility function.

In these 27 years, recognition has been withdrawn from only two agencies and from none whose recognition served to establish eligibility. OE cannot withdraw recognition, regardless of how poor an agency's performance may be, without withdrawing eligibility from many worthy schools since it has no other means but the ad hoc action of the advisory committee to establish and maintain the eligibility of many postsecondary schools.

The Office's policy of relying so heavily on accrediting has been blind to a number of elementary facts.

Accrediting is undertaken in the interest of, and financed by, accredited schools. Any service accrediting agencies may render the public is secondary, not central, to that interest.

Accrediting is of secondary and not primary importance to most of the professional associations which sponsor it, and to the presidents of leading institutions.

Because of their lowly position and budgets, accrediting agencies remain penurious, relying heavily on volunteers for visiting teams and on the voluntary cooperation of schools for the enforcement of standards.

And finally, the technical limitations of accrediting, the 5- or 10-year cycle between visits, the shortness of the visits, the large number of questions examined, the maintenance of confidence about findings, and the absolute impossibility of assessing the quality of every program, or visiting every site of large institutions operating at many locations scattered across the country, render it an unreliable indicator of the quality of education a student will receive in a given program. And students take programs; they do not just go to institutions.

From the standpoint of the public and Government, accreditation affords inadequate assurance that the value and limitations of a school and the content and usefulness of specific programs is honestly described in advertisements and catalogs; that the school will admit and retain only qualified students; that it will promptly report droupouts, and will refund a fair amount of tuition; that it will keep accurate academic and financial records; and that it will not go financially or educationally bankrupt. Now, I just have a few simple changes to suggest in the system. They will not solve all of the problems in it, but I think that they would be helpful.

The Commissioner's criteria for recognizing accredited agencies should be simplified, and the list of recognized agencies confined to those necessary for establishing eligibility.

If the Commissioner continues to recognize agencies whose accreditation serves no eligibility purpose, they should be identified on the list, and charged a fee to cover the cost of this now gratuitous service.

The Office should not try to get recognized agencies to jump through more and more hoops, but should deal directly with students, institutions, and lenders in imposing any regulations necessary to protect public funds and interests.

The Commissioner's list of recognized agencies should include information on the term for which each agency is recognized and the criteria which each agency has or has not met, so that people using the list can form a better judgment of the agency's reliability.

The list should be prefaced with a balanced statement not only of the value but the limitations of accreditation, instead of the current promotional statement about the invaluable contribution which the voluntary accrediting associations have made to the development of educational quality. In overpraising and inflating accrediting, the Office misinforms and misleads the public about the quality and the probity of many accredited institutions.

How many, and what kind of institutions engage in misleading advertising and recruiting? How many award excessive credit? How many issue catalogs with false, misleading, and inadequate information? The Carnegie Council said, up to 81 percent in one particular. How many award excessive credit, easy grades, and easy degrees? How many disqualify few applicants, fail few students, give low refunds, and graduate students—and employ faculty—who cannot spell, punctuate, or hyphenate correctly?

The answers to such elementary and objective questions will tell us far more than accreditation does about prevailing educational standards. The Office should conduct or sponsor the necessary inquiries to inform the public about the number and kinds of institutions that have good, bad, and indifferent standards.

Some of the problems which OE regulations have posed arise from the disposition to treat academic and vocational schools and programs alike. The Office has applied identical disclosure and accounting rules to universities and barber colleges, as Commissioner Terrell Bell has acknowledged, "* * * many long, well-established institutions"—I am quoting the Commissioner—"like Harvard, Stanford, and so on, are being subjected to the same rules as a small barber college * * * under the present statute, we cannot have different sets of rules." If that is true, the statute should be changed.

This is a good time to seek greater cooperation and comparability between the VA and OE information, eligibility, and regulatory systems.

The number of veteran trainees is declining, and the staff of many State agencies which approve courses for veterans will gradually be reduced if continued use cannot be made of their experience. They are most knowledgeable about vocational and proprietary schools which present central eligibility and regulatory problems for OE.

By amalgamating their current lists of eligible and problem schools and programs, VA and OE could establish a valuable current source of information useful for many governmental and public purposes.

The proper degree and scope of State licensing power, and the proper methods of achieving it are hard to define. Attention may well start with States which, lacking adequate licensing laws, are a weak link in the Nation's chain of protection against degree mills.

The function of student consumer protection is better lodged with the States than with accrediting agencies, though many States have not done well at it.

The matter of interstate traffic in education where the Federal Government has a constitutional obligation deserves attention to maintain the standards of out-of-State offerings, to bar the growing discrimination by many States against out-of-State institutions, and to combat the growing parochialism of State institutions which set high tuition and low quotas on the enrollment of out-of-State students.

Mr. **Ford**. Thank you very much.

I think we will go on with Ms. Baxter. Then we will come back to ask questions.

Ms. Baxter.

TESTIMONY OF GRAEME BAXTER, ASSOCIATE DIRECTOR, CONSORTIUM OF UNIVERSITIES, WASHINGTON METROPOLITAN AREA

Ms. **Baxter**. Mr. Chairman, having seen higher education in Government from institutional, State and Federal perspectives, I am especially glad to have the chance to talk here a little bit today about a matter I consider to be absolutely critical to any discussion of the Higher Education Act. That is: How does the Office of Education, and how should the Office of Education, determine which schools, colleges and universities are basically eligible, which are deemed fundamentally worthy, to participate in our postsecondary education programs?

Critical questions are involved here: How OE tries to guard the doorway to the bank of billions of Federal postsecondary education dollars. How OE attempts to see that only those institutions which, in fact, educate students—the point of the enterprise, after all—are allowed to apply for a portion of that large and growing taxpayer investment in the future.

According strictly to the law, to establish general eligiblity to participate in Office of Education programs, a postsecondary institution must simply be authorized by the State in which it is operating and accredited by a nationally recognized private accrediting association approved by the Commissioner of Education.

This system is simple in concept. The system is idealistic, based on trust and the revered tradition of self-regulation in higher education. Basically, it relies for quality judgments on private voluntary accrediting bodies which are supported solely by their members, the institutions they accredit.

Over here you see this system in practice as it has evolved from one line in the Higher Education Act. [The witness is pointing to the chart.] That line simply says—this is in section 1201, General Provisions:

> For purposes of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be a reliable authority as to the quality of training offered.

It is important to note that the total eligibility determination process now, as pictured over here [pointing to the chart] is, in fact, a two-phase one. The institution first establishes its general eligibility, gets its foot in the bank door, so to speak, by meeting one set of requirements, those which are supposed to focus on quality. If it meets those requirements, it is then permitted to apply to various individual programs, each of which may have its own additional, generally more specific eligibility requirements.

We should remember, too, that from the institution's standpoint, this is a three-phase process because, first, it has to meet the requirements of the accrediting agencies before it even starts on this long line of requirements within OE.

I am focusing here on the quality test aspects of the system, those shown in red on the flip chart, because, again, educating is, presumably, the point of the exercise, and educating, presumably, depends on the quality of the program.

As I have tried to show, the test for quality is an indirect one. The institutions are, supposedly, tested for quality through a testing of the agencies that accredit them.

The quality test aspect of the system has grown more cumbersome and more complex over the years.

Once, the Commissioner simply published a list of well-established accrediting organizations that met certain basic standards.

Now, an accrediting agency wishing to be listed must file about a 30-page application, outlining how it meets about 47 criteria. Now a whole division exists to analyze those applications. Division staff present the analysis and recommendations to a 15-member, nonstatutory Commissioner's Advisory Committee, which is pictured on the chart. The committee is called the Commissioner's Advisory Council on Accreditation and Institutional Eligibility. Then that committee recommends to the Commissioner interim or final approval or disapproval for listing.

Once, as Dr. Orlans pointed out, only 28 agencies were listed. Now about 80 are listed. Some bear a relationship to Federal funding eligibility. Others have no relevance to eligibility, but like being listed for public relations, public credibility purposes.

In 1965, the eligibility determination process required three staff people and a tiny budget. Now the process, based on one line in the law, as expanded over the years by regulation and policy, requires 27 full-time staff members plus a plethora of consultants, plus 15 advisory council members and a budget of about $1 million. Unfortunately, this is a classic tale of the bureaucracy which has developed a life of its own, divorced from its statutory base and original purpose.

Now, to add insult to injury, I must tell you that the system does not work. Despite the expenditure of that $1 million annually to screen for quality through its elaborate process for determining institutions' basic eligibility for funding, it has become clear that OE, working with private accrediting organizations, cannot protect students, parents, and taxpayers, whose dollars continue to be too often invested and wasted in those institutions which offer poor quality programs which, in fact, fail to educate.

An example with which I am personally familiar might focus the problem. A 4-year nonprofit, private liberal arts college offered off-campus programs for the elderly. In at least some of the centers, part-time, so-called adjunct faculty conducted the rough equivalent of read-aloud twice a week for a total of about 4½ hours. No homework was assigned. The college classified these students as full time and matriculated. Each received full Federal basic grants as well as full State grants for a total of $2,900. This institution was and has continued to be accredited by a regional accrediting association and by the regents of the State. It was and continues to be eligible for [illegible]deral funds.

The key, it should be noted, to making these students eligible and, thus, maximizing the institution's funding was the lowering of the academic standards for full-time and degree-candidate status.

It is this phenomenon, this waste, the OE eligibility determination system, relying on the accreditation process, exists to protect us from. It does not. Why?

First, the system does not work because it places responsibility where there is no authority. The Federal Government, OE in this instance, is forbidden from interfering with the substance of the educational process. How, then, can it control for quality? Then, the GAO has pointed out, accrediting agencies have no authority over institutions either. A major weakness, I would say.

Second, the system does not work because it is based upon assumptions about education and accreditation that are no longer and perhaps have never been true. The law and the present trustful, idealistic system for determining eligibility assume a collegial higher education community with a common understanding of an at least vaguely measurable characteristic called quality and idealistic institutions and faculties focused on students and educational quality, not on more mundane matters like salaries, security, and survival.

Education has changed. What, in 1952, was the higher education community has become the madding postsecondary crowd. Academic standards, in some institutions, have been confused by so-called educational innovation and the press for universal access. Many once idealistic institutions and faculties have become pragmatic. Insecure, they have changed their focus from student growth and program substance to enrollment numbers and survival. In short, institutions have become less trustworthy.

Not surprisingly, higher education's self-regulation agents, the accrediting associations, have changed, too.

About accreditation, the law and OE's eligibility determination system assume accrediting agencies with clear, common standards for measuring quality, the mission to monitor those standards at the institutions, the capacity to make objective judgments about their own members' quality, and the resources to monitor institutions' performance consistently enough to protect the Federal investment.

In fact, accrediting agencies lack the mission, the desire, the political position and the resources to enforce any kind of specific standards.

As the President of the Council on Postsecondary Accreditation himself points out, and I quote:

> Over the years, accreditation steadily has moved away from utilization of quantitative criteria and minimum standards. Instead, educational institutions and programs increasingly have been judged in terms of their own statements of scope and mission, and the emphasis has been placed more heavily on helping institutions to improve then on sorting the good from the bad.

Meanwhile, here we are with this system based precisely on the assumption that accreditation sorts the good from the bad when, in fact, we seem to have an accreditation system with a sort of "I am OK. You are OK" approach to quality judgments.

Even if accrediting bodies were to redefine their mission and become inclined to push a set of absolute quality standards, conflicts of interest and meager resources would prevent them from being reliable at any given point in time for consumer protection purposes. Remember: They are supported solely by their membership.

Not only does the system not work and, therefore, represents in itself a waste of the taxpayers' money, but strong arguments can be made that it even does damage.

First, there is some evidence that this eligibility determination process has, in fact, contributed to the decline in educational standards. By tying eligibility for Federal funds to accreditation, the system makes it almost impossible for an accrediting agency not to accredit an institution. Not to accredit would mean to cut the lifeline. Also, by imposing through regulation numerous procedural requirements peripheral to the heart of education, OE has diverted accrediting agencies from their original, most important mission: quality assessment.

The system is also damaging—and I believe this is absolutely most important—because it is misleading to the public. It is, in effect, false advertising. It pretents that the Federal Government can monitor quality, which it clearly cannot. It publicly ascribes to private accrediting bodies a purpose to which they are not committed, standards which they do not maintain, and capacities to protect the educational consumer which they do not and never will have. Thus the system perpetuates a myth which lulls the student, the parent, the taxpayer into a false sense of security about the quality of education they are buying when, by being honest about what we can control, we should be encouraging them towards an informed and tough minded skepticism.

While some of the bureaucratic faults in the system could be corrected through policy and regulation changes—and Commissioner Boyer is, I know, attempting to make some of those changes—I believe OE's present institutional eligibility determination system, with its reliance on private accreditation for frontline quality control, is so fundamentally faulty in the ways I have outlined that tinkering is not going to make it work. So what do we do?

Having outlined the problem in somewhat gory detail, I am going to suggest that you do something extremely difficult for responsible people. That is, try not to solve it yourselves.

My hope is that we can view the years of OE's institutional eligibility determination system as an experiment, certainly idealistic and perhaps noble, and as a lesson in the limits of what the Federal Government can or should pretend to do.

As a realistic, honest and doable alternative to OE's present system of determining institutions' eligibility for Federal funds, I propose the following:

I propose, first, we confess we cannot control at the Federal level for educational program quality.

Second, I propose that the Federal Government concentrate its efforts on (a) enforcing those institutional eligibility requirements, outlined by Dr. Orlans, that are enforceable, and (b) working with institutions and State agencies to provide students with the information they need to make informed choices about what institutions to attend.

Third, I recommend that you eliminate the present statutory eligibility requirement that institutions be accredited by an accrediting agency approved by the Commissioner—that is the portion in red on the chart—and leave State agency authorization as the sole general eligibility requirement. This action would give the States the responsibility for education commensurate with their authority.

Fourth, I propose that you consider providing the States with incentives to adopt the licensing and consumer protection standards they alone have the authority to effectively enforce. They could choose, in turn, to work with accrediting associations or not.

Finally, I sincerely hope you can discourage the States from wasting taxpayers' dollars on the illusion it can control educational program quality any better than the Federal Government can. The educational sinful institution I used as my example sits in perhaps the most educationally regulated State in the Union.

Adoption of these proposals would, I believe, eliminate one ineffectual and wasteful source of bureaucratic redtape and useless paperwork, provide the public with an honest picture of what little the Government can guarantee in terms of program quality, help the public toward the enlightened skepticism it needs to sort out postsecondary education today, and create a clear, rational, realistic Federal-State partnership to protect the public investment in postsecondary education, a partnership which would make the States, which are constitutionally responsible for education, more accountable for it, give the States more clout to do their job, and encourage the establishment, within the States, of credible and enforceable standards for the measurable aspects of postsecondary institutions' performance.

Adoption of these proposals will not solve the problem of low academic standards; they will not solve the problem of educational fraud which is denying students the chance to ever test or ever know their abilities. Such a strategy, however, by sorting out who does and can do what, might help to direct the public's attention and demands to those who can solve that problem: the faculties and governors of the institutions we support.

Thank you.

Mr. FORD. Thank you very much.

Both of you present a very direct and very alarming description of the dilemma that we have faced from the beginning of substantial Federal student assistance as distinguished from the historical ways in which the Federal Government had been involved with higher education. The first great jump was with the GI bill, as it was known at the end of World War II, and ultimately, the statutory definitions that came in 1952.

As one attending school on the GI bill, we used to watch with great interest this whole process as we saw the health and the viability of the program that we were counting on threatened by one scandal after another, particularly during the Korean period, and the expression of back alley schools sprung up all over the place. This phenomenon got to be serious enough so that there was a real question about the Congress continuing to support this massive student aid program.

I suspect that that is what led to this 1952 attempt in the Veterans' Readjustment Act to tie down the definition.

This committee, during the last Congress, in response to an outcry from a good many institutions, held, under our jurisdiction, oversight hearings on veterans' education benefits. We found that these very rigid rules that came as a reaction to the abuses of the late forties and early fifties are, to some extent, still hampering the ability of people at the Veterans' Administration to adjust to the realities of what postsecondary education is in this decade. It is quite different from what it was then. During the last Congress, both the Veterans' Administration, administratively, and Congress, through at least two amendments to the act, were able to relieve them, which leads to another part of the problem that you have not mentioned, and that is the different ideas different Federal agencies have as to what an accredited school is, or what a school is, for that matter.

One of the arguments we used against a tax credit, for example, was that the Internal Revenue people, who have heretofore been defining schools for tax purposes would be trying to define schools, and with the Veterans' Administration trying to define schools along with the Department of Agriculture, the Office of Education becomes only one of many agencies that does this.

The personal disappointment that I have with the administration's bill for the creation of a new Department of Education is that many of of us hoped to get some rational center for Federal policy with respect to simple things like what is a school, and what is education, which might be focused in that Department.

That is not likely to happen since the legislation is moving to merely take the Office of Education and turn it into the Department of Education.

And I am pleased to see, Ms. Baxter, that you have got some very specific suggestions of how to approach this. But we are faced with the very practical problem of keeping the Federal Government, even with a fine person like Commissioner Boyer, out of the business of telling people what schools are, and what education is, and what proper progress is, and what quality education is because some of us are convinced that we would play into the hands of people who do not want Federal aid, who do not want to be identified with Federal aid to begin with. The more we regulate and intrude upon what has been kind of a wide open, free system, the more we move toward the days when people will say: "See? We told you so. Federal aid means federal control."

Now, one of your suggestions, Ms. Baxter, is that we rely more heavily on the States. It runs in the back of my mind that, at one stage that was urged on the Veterans' Administration, and it did not work too well. As Mr. Orlans has mentioned, he recommends that we rely more on the States, and then parenthetically says even though they, many of the States, have not done a very good job in accreditation.

Is is possible to rationalize this system with a combination of State and Federal accreditation, recognizing that complexities usually come from someone's claim that the simpler you make a system, the more likely it is going to discriminate against people in the complex educational system out there? How do we avoid getting in the position of tying access to education to even more redtape while trying to tighten up the requirements?

Ms. **Baxter**. OK. If I understand your question, I think, first, we have to talk about the ability of the States—that is a real issue here—the ability of the States to effectively enforce consumer protection standards yet not build up enormous bureaucracies that waste money,

I think that part of the reason the States have not developed evenly is that we have bypassed them pretty much in this system.

The Federal Government does not count on the State, really, as a control mechanism in most instances. There are exceptions to that with certain kinds of schools, but I think that if the Federal Government did rely on them, the States would develop the ability to, in fact, monitor minimal standards. That is what we are talking about when we talk about the States.

Mr. **Ford**. Let me stop you there. Is it your impression that we have in place in most of the States a piece of machinery or a device that within that State even regulates this problem with respect to their own money?

Ms. **Baxter**. There is at least a primitive licensing, or an authorizing process in, I believe, all but two or three States.

Mr. **Ford**. In my State, it would be an act of heresy insofar as Michigan State or Wayne University is concerned if anyone were going to tell them how to set their standards.

Mr. **Orlans**. That is quite right, Mr. Chairman, with one exception: The State approval agencies which approve courses for veterans, approve courses at Michigan and Harvard and Yale and Columbia. You may say that it is a lot of paper approval which, of course, it is, but somewhere there is an application by a designated representative of Harvard University, and somewhere he gets back a catalog probably stamped approved. Therefore, it is comforting to the public to know that the State agency has approved the courses that Harvard and Michigan offer veterans.

Ms. BAXTER. I do not really know the details of State capacity, but my belief is that that capacity would evolve, or could evolve if we relied more at the Federal level on it.

Mr. FORD. But two aspects of this have come through your testimony. One is the concern that the consumer is not adequately advised; that the consumer is not making his choice on the basis of an informed set of options and, in truth, may even be induced to believe that the seal of Good Housekeeping approval is on a school because it can say in its catalog: "Approved by the Federal Government for Federal student aid."

Maybe we need a cigarette package label saying——

Ms. BAXTER. This school is dangerous.

Mr. FORD. A statement that the school could be dangerous to your eduction and the fact that it is approved for educational benefits is in no way an endorsement by the Federal Government of either the content or the quality of the educational product.

I suppose to educators that has been implied, but competition is going to increase now, obviously, with the reduction in population of the traditional student. Competition is intensified. Recruiting has become very, very active. It is increasing very actively. If they continue to recruit the way they are doing, it very well could be that that will be a job for all colleges. As to football, if they have to decline, it puts them out of business.

They are very much concerned at the moment, as you know, but as this kind of action intensifies, it really concerns me. What both of you are highlighting as criticisms of the system are going to make this system even more critical.

How do we anticipate this additional pressure, to do something about it?

Mr. ORLANS. Apparently, there are some problems to which there are no solutions. That answer will not console you, but I think that one of the very serious problems we face is not that of schools fooling students, but of institutions and students fooling the taxpayers and their parents. Because, to put it bluntly, it is in the common interest of students and the institutions to have an easy time of it together while somebody is paying the bill, and that is a most difficult nut to crack.

Ms. BAXTER. The pressure, you asked how can we anticipate the pressure that would come from the public's realizing this problem. Part of the problem is the way we are operating. Now we are saying to the public: Come, talk to us about that problem. That is precisely what the system says because we are promising that we will protect them through our various systems. I really believe that if we said: Look, we can guarantee the following: That the dollars are managed adequately, and that we will track those dollars and the management capacity at the institutions those dollars go to. We will do that. But if you are concerned about the quality of education, you should ask the following 25 questions before you enroll in a school. We will send a brochure to every high school junior in the country telling them what they should ask before they enroll in the school. Put some of the responsibility back on the individual to ask the questions, and then say: If you have additional problems with this, this and this, talk to the State officials who, in fact, have authority to enforce the standards which the Federal Government does not. As the oldest child, I was always taught I was responsible for anything that happened, anything that my brothers and sisters did. Because I was the oldest, I was in charge. I have the same feeling at the Federal level. I still fall into that feeling of responsibility, feeling that if anything wrong happens, it is my responsibility at the Federal level to deal with it. But I think that there are limits to what we can do. I just think we should be frank about it. That is all.

Mr. **Orlans**. As a matter of fact, we almost have it now. You have few funds going to degree mills. But you are not going to get a system without a vast amount of waste on shoddy education, which is in the common interests of the schools, of the legislators from the State, and of students in that State. What you can do is to develop a system which labels what is happening more forthrightly than is done today. You cannot get from institutions and 1 Du Pont Circle and the accrediting associations discriminatory labels on their constituents. You can get that from independent sources. You can get it in a variety of ways, and you can try to put more of that kind of honest information on the public record. That is practicable.

Mr. **Ford**. Well, if there is a way to measure the end product of their production.

Mr. **Orlans**. Well, you can measure how well they spell and add. Is that a national secret?

Mr. **Ford**. That is not going to help you much in an accredited school in saddlery in Arizona, is it?

Mr. **Orlans**. There is another test for a school of saddlery. You put people on horses, and you see what they think of the saddles. [Laughter.]

Mr. **Ford**. I guess we only have one accredited so we do not have a big problem there.

Mr. Weiss.

Mr. **Weiss**. Thank you very much, Mr. Chairman.

I am not sure if I understand what you are proposing.

Are you saying that there ought to be no connection at all between accreditation and eligibility?

Mr. **Orlans**. No. I would retain the connection, but be more honest about its limitations, and retain it only where it is necessary, which is for a smaller number of accrediting agencies than is the case today. And, rather than putting more pressure on the agencies, beating them over the head until they agree to do what they cannot do, what they are not constituted to do, rely on other, direct approaches to maintain whatever standards are deemed necessary to protect the public dollar.

Mr. **Weiss**. Well, if you try a minimal approach, are you not still leaving it wide open to be as broad a regulation and pretense as it is now, and that it really becomes a matter of judgment as to what is minimally required?

Mr. **Orlans**. Yes. I do not think it is possible not to give funds for poor quality education. My children have attended what is supposed to be a very good public school: Walt Whitman. I know how they spell on graduation: they do not spell correctly. Are we going to stop financing Walt Whitman? Is the Congress and the taxpayers going to stop financing ineffective schools?

Mr. **Weiss**. If, in fact, we do not stop financing, then what is the purpose of having the Federal Government determine the extent or the capacity of the kids to spell?

Mr. **Orlans**. I think that knowledge is helpful. Certainly, if you prefer not to know—are you saying that we should not know the spelling capacity and handicaps of American students?

Mr. **Weiss**. Perhaps it is helpful to know, we are discussing it in the context of funding. Should there be this kind of connection between the capacity to spell and funding?

Mr. **Orlans**. If you wish to connect it to that, that would be fine if it were feasible. It would be a nice gage. You could even test their spelling and then reduce their funds by 10 percent if they show up poorly in the test.

I could imagine a system that provided an incentive of funds for better, measurable performance by students—or, rather, gain in performance, because obviously you would have to take into account where they were on entry—but you would have to have to have pretty tight controls over those tests, which would present problems. If you want to think of a nice, ideal system, that would not be a bad one.

Mr. **Weiss**. I think that both of you agree that the capacity to create and implement an ideal system seems to have eluded us so far, in any event. Let me ask:

Ms. Baxter, do you then think that regardless of how far removed from providing that valid education a particular institution may be, so long as it demonstrates that, in fact, the money is not being stolen, that it has good, sound bookkeeping practices, and that the moneys that are, in essence, supplied by the Federal Government are being used for educational purposes. That no matter how ineptly the service might be provided, that that money ought to continue to flow?

Ms. **Baxter**. My assumption is that if the institution is doing a bad job educationally, even though it has all those resources at hand, that as it was in my day when I was picking colleges the informal networks will warn you. If you put your energies into informing students and parents about schools and you have information available to them before they enroll, rotten schools will not get students, and will die a natural death.

Mr. **Orlans**. Quite the contrary, rotten schools will get rotten students.

Ms. **Baxter**. I think my hope would be in the natural rhythms of the marketplace over time, but I do think information is essential to that process working.

Now we have a system that hides information. There should be more information about institutional performance and more education of students as to what questions they should ask before they enroll.

I think we could head off an awful lot of that waste. We would have a more honest system. We could not head it off totally, but I think most of it we could.

Mr. **Weiss**. Would that information be forthcoming from the division of the Office of Education which is responsible for eligibility?

Ms. **Baxter**. No. I would prefer to see it come from the State. I would prefer to limit the Office of Education simply to program requirements, those requirements it deems necessary to controlling the dollar as it wends its way through the institution, period. We should just do that because I believe that is all we can do.

Mr. **Weiss**. Of course, the bind is that guidelines are provided and although are misleading and may, in fact, do nothing at all, if we do not provide the guidelines and common standard, there would be scandals. There is the danger that the whole program would be eliminated because the argument would be that the Federal Government is just handing money out. They do not care whether it is stolen, wasted, or what have you.

Ms. **Baxter**. Hopefully, if the system I have just suggested very vaguely could develop, that is, the Federal-State partnership, you would have a response and a persuasive response to anyone who asked you about that.

Mr. **Weiss**. Thank you.

Mr. **Ford**. Suppose that we concentrated on the efforts that have been made, and virtually every time there has been a reauthorization, the same questions have come up. So we put another add-on to legislation to try to deal with the problem as it was perceived at that time.

In 1976, we added to the general education provisions several requirements with respect to consumer information because we are concerned that prospective beneficiaries of the several higher education programs were not properly advised at the appropriate stage in the process of what kind of programs were available to them. This defeats the central purpose of Federal aid, which is to provide access to get over economic hurdles, and to provide individual choices for citizens who would not otherwise be able to do that.

Suppose we were able to tighten up the system for determining responsible handling of Federal dollars and then, in fact, make it a requirement that every form carried some type of statement that the only thing that is being certified here is the fact that these people do not steal money. The quality of education is in no way passed upon by the Office of Education if that is, in fact, the case.

I gather from both of you, nodding your head, which will not show on the record, that you think that that rather simplistic thing would be an improvement over what we are doing now.

Mr. **Orlans**. Warning: The Commissioner of Education has determined that this school is dangerous for your education.

Ms. **Baxter**. I think then if you say that, it does sort of eliminate the need for the eligibility determination system as it is now.

Mr. **Ford**. Well, the philosophical question involved every time we legislate with respect to education is the degree in which we can cross over the line of guaranteeing the public expenditure of public dollars into the system. There is the question of when we

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start preaching and when we start meddling in what is education, and by adopting policies, actually affect the shape of education.

Not everyone would agree with this, but I think, generally, our legislation, as weak as it is in some respects, has managed to keep itself disentangled from academic freedom much more readily than most of the States.

Virtually all of the States, from time to time, have adopted what they consider to be excellent requirements for the makeup of an educational program in their States.

The track record of the States, for example, in dealing with nonpublic institutions, both profit and nonprofit private institutions, is, at the very best, uneven and, in some cases, outright scandalous.

My own State has been able to live with a pluralistic system for a long time without a great deal of agitation from anybody involved in the system, but there are other States we know that have had to be dragged, kicking and screaming, into sharing any kind of Federal assistance with nonpublic institutions.

Our experience at the elementary and secondary levels in the field is that they have threatened to cut off funds in order to get them to obey the law. This happens not because the people out there are bad people or necessarily prejudiced, but because a system grows up that is more provincial, and develops traditions and attitudes. That is coupled with the fact that some 20 or 28 of the States have rather strenuous kinds of restraints on a State agency doing anything with respect to private institutions at the elementary and secondary level, or the postsecondary level.

Some States have taken upon themselves rather direct involvement in regulating private, profitmaking institutions, and totally ignored private, nonprofit institutions, saying, "That is not our business. We cannot get into it because of our State fund."

They have come at the private profitmaking operations perhaps from an entirely different perspective because of this kind of suspicion among the traditional academicians that these competitors are less than dignified.

But the central problem with which I think we have to deal is what Mr. Weiss alluded to. We cannot cross over that line intentionally, at least, without really jeopardizing all of the programs.

Every time we go from the point of a legitimately justified concern for an honest application of the funds to the purpose for which they are appropriated and accounting for the expenditure of those funds into the question of judging quality, we are risking great difficulty.

Mr. ORLANS. Mr. Ford, surely, where shame is warranted, the finger of shame can be pointed at institutions. Plainly, care must be exercised but, you know, in "The Underground Guide to the College of Your Choice," that little booklet that students put out, the picture of a college that you get is very different. The things that they choose to remark upon are entirely different from the picture that you get in the college catalog, and you would expect it to be.

Nobody wants to stop an institution from presenting its own view of itself, but we need a more varied view.

I think that Secretary Califano's recent list, a purely statistical list of named institutions with the percent of their loan defaults, is a major contribution to public knowledge, and if those institutions are honorable, as I am sure many of them are, they will be ashamed of that information. Either they will correct it, if it is in error, or they may do something to see that they get off that list.

We have to look for more ways of this kind, some of them quite simple, to provide a diverse picture of institutions, and provide it publicly.

Mr. **Ford**. Mr. Buchanan.

Mr. **Buchanan**. Mr. Chairman, I want to apologize to the witnesses. I have two committees in session. The other one is in a markup still. I do not know which way to go.

Let me ask you: Should Congress require, as recommended by GAO, that the Commissioner of Education develop regulations which define, more specifically, good standing and satisfactory progress to insure the students of schools that the schools are not abusing the availability of Federal financial aid?

Mr. **Orlans**. Well, the Congress has already required that, if a school was to be approved for veterans benefits, and the schools of America have not exactly welcomed that regulation, and I think a new one was drawn.

In principle, the answer to your question is yes. In practice, it is going to be very difficult to develop a meaningful standard that schools and students will not find a way of getting around.

[Ms. Baxter is nodding her head in agreement.]

Mr. **Buchanan**. Mr. Chairman, may counsel be permitted to ask questions?

Mr. **Ford**. Certainly.

Mr. **Clohan**. Ms. Baxter, you suggested that Congress provide incentives for the States to adopt better licensing and consumer protection standards. Could you elaborate on what legislation would be required?

Ms. **Baxter**. I think I referred to requirements perhaps akin to the provisions of the ECS model of legislation.

The ECS model of legislation is simply talking about minimum standards. First of all, I should say it was hashed out over a long period of time by very concerned people agonizing about some of the things we are talking about today, and it is really very modest. It sets minimal standards in terms—as I recall it, and it has been a while since I have read it—of resources, measurable things, dictating, as the commissioner of education of Maryland has said, not what is the education, but what they need to provide for it.

I think the legislation refers to the basics of admission qualifications, buildings, faculty qualifications, not dictating what they are, but saying that there do have to be some. But the legislation is very modest. In my view, it is very modest.

Mr. **Clohan**. What incentives would you then use?

Ms. **Baxter**. First of all, I think if the public felt that States were responsible, in fact, for providing consumer protection, the public pressure on the States would force the States into performing perhaps better than they have in the past.

Second, I think perhaps the Federal Government could do two things. One: It could say we do expect States to do certain minimal things before more money can go to that State's institutions and second, it could, conceivably—I hesitate to even bring it up—could provide seed money for those States that do not have any kind of adequate mechanism for providing the consumer protection.

Mr. **Clohan**. States are very important to members of the committee. In Kentucky, there has been a problem with the accreditation of the proprietary school. The membership of the accrediting association overturned the accrediting commission's recommendation. Does that happen often? Is that an example perhaps of the accrediting agencies not being able to function objectively?

Mr. **Orlans**. Well, the Office criteria for recognition require an accrediting association to be autonomous, and in principle, that should not happen. In practice, none of them is genuinely autonomous if we measure autonomy by independent sources of revenue.

There are a number of other associations in which something of that sort can happen.

Mr. **Clohan**. Do you know of any past instances of an association doing that?

Mr. **Orlans**. Well, someone from the Office of Education, who is here, I am sure, would be more knowledgeable about that.

Mr. **Clohan**. Maybe we could have testimony from them later. Thank you.

Mr. **Ford**. Ms. Baxter, you are not surprised that ECS would suggest that the States have a greater role in this process, and that we provide seed money?

Ms. **Baxter**. I am not sure ECS has proposed it. I am sure ECS would love seed money. I am not sure they actually proposed it.

Mr. **Ford**. It is a normal process for people at the State level. They want to do more, and then they come back and say: "Now you have got us doing this. Pay for it. We need some more money."

We are now working with Federal dollars: Over 80 cents of every dollar of the payroll of States' departments of education in this country and comes from the Federal Government.

Fifteen years ago, when I sat on the committee, we wrote the Elementary and Secondary Act. State departments of public instruction were kind of nice organizations, and States like Minnesota did not have a whole lot of people. Now they have become very, very large and, I hope, effective bureaucracies for the administration of all kinds of programs, not just Federal programs.

There isn't any other program under the jurisdiction of this committee that we finance to the very generous extent that we finance the State bureaucracies of education. I have great respect for ECS. I am currently serving as chairman of one of their task forces, something that does not make all of the members of that organization comfortable, I am sure. Nevertheless, we have been working well together. I think that this is a great organization that does great things except that that is an organization of Governors, State superintendents, departments of public instruction, and education committee chairmen from State legislatures.

I am sure that all of us who are ex-legislators, State legislators before coming here, made plenty of speeches before we came as to why the Federal Government ought to give us the money because we had greater wisdom in how to use it.

I am just really concerned that we will develop here in Washington an assumption that we have changed so much in the last decade in this country that there is that kind of control at the State level. Further, your seed money suggestion has that kind of a problem.

There are States that very deliberately and very directly have tried to keep from creating a State educational agency that will meddle with higher education, and I think with some wisdom.

In my own State, I was in the constitutional convention when we revised the entire higher education structure for the public institutions. We created a great deal of additional autonomy for all of our State institutions, gave them independent boards, did all sorts of things. We literally took the State out of the position of dictating from any centralized State agency to our publicly-supported institutions of higher education. So we have a deputy superintendent for higher education. There is no way anybody ever sees or hears from him because he does very routine kinds of things.

The higher education community in my State would really be quite upset if we tried to enhance or increase the dependence for Federal funding on a State agency, or a set of hurdles set up by a State agency for them to jump over.

Now, in other States such as New York, California, even Texas, where they have a very well integrated statewide system with a sense of centralized control, if you will, from the State capital, they might respond very well to that.

But those States, while they are large States, are really in the minority in terms of how we deal at the State level with postsecondary education.

So looking to the States to take over a very active job means, first, that only some of them, a few of them, are already equipped to do it, and second, as to those that are not equipped to do it, we are running into the problem of whether we are telling them to do it.

The 1202 Commission is an example. The State of Wisconsin cannot decide whether to have the 1202 Commission made up of their own educational board being changed to reflect the characteristics of the 1202 Commission, or to create a separate one. So they have neither.

Twenty-two States have elected to use their State agency as the 1202 Commission, and 24 States—or have I got it reversed? Twenty-four States choose to combine the 1202 Commission functions with the State agency; 22 choose to keep them separate.

Those are local decisions that are based on the traditions and the structure of their own systems.

So that as one member of this committee, I do not have a whole lot of confidence in trying to get one uniform system across the country. That depends upon the State involvement to a greater extent than they are already involved.

Ms. BAXTER. I would like to say that in no way do I envision uniformity. Having been to enough conferences such as the one in Colorado Springs, I realize that it is very important that the States decide how they do whatever it is that they do.

I just would like to add that States could, conceivably, use private, voluntary accreditation which is, supposedly, the great solver of this problem of preventing Government from messing around with academic freedom. The States could use private accreditation just as well as the Federal Government.

It is just that at the Federal level, I do not think it is very useful. It is misleading. But I appreciate your point.

Mr. FORD. We have a suggestion which, from what I gather, is still being formalized. It has to be voted upon by the membership from the Association of Community and Junior Colleges to require the title I programs to go through a uniform State agency type of administration because, from their perspective, State agencies are giving very heavy emphasis to community and junior colleges.

The reaction you get from other types of institutions to that varies from amusement to anger because not all other types of institutions feel that State agencies will work with them in an evenhanded manner.

They were limiting their recommendation, as I recall it, to specific title I programs and nothing else. They, apparently, have some hesitancy about going beyond that with the State agency because they get caught in another layer of government down to the local government.

Mr. Weiss, do you have any further questions?

Mr. WEISS. No.

Mr. FORD. Mr. Buchanan?

Mr. BUCHANAN. No.

Mr. FORD. I want to thank you both very much. You certainly have illuminated the dimensions of the problem which stretch from here to infinity; hopefully, not from here to eternity, but to infinity.

Our next panel is concerned with the impact of Federal student aid on college prices. The members of this panel are Mr. Richard Ramsden, who is the vice president of administration and finance at Brown University; Mr. James Furman, who is the executive director of the Illinois Board of Higher Education; Mr. Larry Leslie, a professor at the Center for the Study of Higher Education, University of Arizona; and Mr. Allan Ostar, who is the executive director of the American Association of State Colleges and Universities.

Without objection, the prepared statements will be inserted in full at this point in the record.

[The prepared statements of Larry L. Leslie, professor of higher education, University of Arizona, and Allan W. Ostar, executive director, American Association of State Colleges and Universities, follow:]

PREPARED STATEMENT OF LARRY L. LESLIE, PROFESSOR OF HIGHER EDUCATION, UNIVERSITY OF ARIZONA

Mr. Chairman and Members of the Subcommittee:

I am Dr. Larry L. Leslie, Professor of Higher Education, University of Arizona. My testimony reflects the insights of one who specializes in higher education finance and is not intended to represent the views of any organization or interest group including my own University. I am testifying simply as an independent higher education researcher and scholar.

Those who asked me to testify before this Subcommittee specified that I should address the matter of how student aid affects tuition prices in American colleges and universities. I shall do so by relating the results of my own research on this subject and by sharing my own thinking. I have organized my material into four parts: (1) what theory tells us we should expect to find regarding the impact of student aid on tuition prices, (2) what has happened to tuition prices since student aid became a major funding force, (3) what the empirical evidence isolating the effects of student aid shows, and (4) what, I think, one can conclude from all of this information.

(1) What we would expect to find

In the public sector, the setting of tuition prices is an activity that varies greatly from state to state. At one end of the continuum are states in which regulations and procedures generally preclude the direct varying of prices to capture higher student aid subsidies. An example of this kind of state would be Colorado, where public tuition is fixed by the state at a certain portion of institutional instructional costs. At the other end of the continuum are states (or institutions) in which legal or quasi-legal constraints are almost totally nonexistant. Most states fall into this category. The former state typology bears no additional discussion, whereas examination of a decision-making paradigm may be useful in the case of the latter.

Institutions of higher learning, or state governments for that matter, are, of course, not completely free to set tuition prices whether they are legally constrained or not. The informal constraints are both political and economic. In cases where state legislatures set tuition prices directly, students (who now possess the franchise!), their parents, college spokespersons, and certain interest groups apply pressure to keep tuition low. On the other hand, the zero-sum game public officials must play requires them to be sensitive to the demands for many other public services as well. As a result, there is indirect pressure to raise tuitions so that appropriations to colleges may diminish and those to other areas may be increased. As a recently elected local school board member, I have internalized this truism which has been clearly known to members of this Subcommittee for some time. There are also major economic considerations. If prices are set too high, enrollments will decline, as may overall tuition income, and production of needed manpower ultimately may reach less than optimal levels. In sum, legislatures may be sorely tempted to capture all the student aid funds they can by invoking major tuition price increases and thereby free up state funds for other purposes, but they are constrained by major countervailing political and economic forces. The total effect one might anticipate is a moderate upward pressure on tuition prices, but not the overwhelming impact forecast by some.

Where institutions set their own tuitions, the constraints are not terribly dissimilar. More often than not, legislatures apply tuition pressure on institutions by appropriating less than they know institutions will spend. Indeed, in a number of states, even though officially tuitions are not set by government, explicit tuition income levels are "specified" in each institution's budget and are subtracted from the amount to be appropriated. Thus, for all practical purposes it is the legislature that has set prices. This is because boards must balance budgets and if legislatures refuse to appropriate needed sums, either programs and personnel must be cut or tuitions must be raised. The latter alternative generally is the more palatable politically. One of the reasons is that the board is aware that large, if not massive, amounts of student aid are available for many students; and, in fact, if tuition prices are not raised, the institution will not capture its share of the subsidies. All the same, the increases cannot be too large as many students are not eligible for aid and aid will be insufficient for those who are. If tuitions are raised too high, too fast, the institutions fear that enrollments will decline and that for reasons discussed above they will be worse off financially than if prices were not raised. Finally, personal values of trustees and senior administrators almost invariably favor low tuition because they know high prices mean reduced opportunities. Therefore, they are inclined to raise tuitions only if forced to it; and this is true in the private, as well as the public sector. Again, balancing the various forces, one would expect moderate though not extreme upward pressure on tuition prices as a result of the availability of student aid.

(2) What has happened to tuition levels?

Figure 1 and Table 1 show public tuition price levels in relation to Federal need-based student aid. Public tuitions were increasing slowly until 1968, when an acceleration occurred. It is plausible though by no means certain that the Federal programs, which began in 1965, had a delayed effect on tuition prices, thus explaining the three-year lag. The more rapid 1972 acceleration in prices, on the other hand, coincided perfectly with passage of the landmark Education Amendments of 1972 and with the accompanying huge increase in Federal student aid spending.

Thus a plausible causal relationship exists, although it is only plausible because other changes, such as higher inflation, may also have caused the tuition rate accelerations.

It is true, nevertheless, that during this period tuition rose at a faster rate than inflation. In 1975 constant dollars, public tuition increased by 33.3 percent between 1964 and 1977, while private tuition rose by 26.6 percent. Within the public sector, the increase was the greatest where the greatest numbers of low-income youth are enrolled--at community colleges.

(3) What the controlled evidence shows

First, we examined changes in tuition prices for 1964-1977, controlling over time for other national factors that might have affected tuitions. Second, we examined variations in 1976-7 tuition prices among the 50 major state universities, controlling systematically for other institutional and state variables. The second approach has the strength of focusing on states and institutions, where tuition policies are in fact set, but is limited by a question of interpretation: Does the availability of money for student aid "cause" higher tuition, or does higher tuition cause more student aid money to come into a state? The first approach, which utilizes time series data, avoids the interpretation problem although this method is insensitive to state and institutional differences.

(a) *National Analysis*—In our first analysis, we considered total appropriations for the need-based Federal student aid programs against average public tuition prices for the years 1964-5 through 1976-7. We controlled for the effects of inflation, enrollment growth, state appropriation fluctuations, and the prices charged by competitive private colleges and universities. Our best estimate was that, holding all these other variables constant, Federal student aid accounted for 35.88 percent of public tuition increases since the aid programs began.[1] Based upon this figure, we would estimate that of the average $353 in public tuition increase between 1964-5 and 1976-7, $126.68 was accounted for by Federal student aid. For every $100 million the Congress appropriated, public tuition went up by $4.29--again, and in each case, holding other effects constant.

(b) *State Analysis*--In our state-by-state analysis, we examined (1976-7) tuition prices in the 50 major state universities, while attempting to hold constant other factors that might have accounted for price differences. Thus we controlled for tuition prices at in-state private institutions, state wealth, state appropriation amounts, institutional quality, faculty salaries, and most importantly for prices at other public institutions in the state. The latter was in effort to isolate as much as possible on the effects of Federal student aid on tuition, rather than vice versa. Before proceeding, another word should be said about this problem of likely cause and effect.

There is no doubt to any regular observer of postsecondary finance that legislatures and trustees have taken Federal student aid availability somewhat into account when they have set prices. Public statements and actions reveal this directly. For example, when the City University of New York was agonizing over abandoning its historic no-tuition policy, one of the most common arguments was that low-income student would not suffer importantly because they would be eligible for Federal aid. When Chancellor Clifton Wharton explained the recent tuition hike in a letter to new freshman applicants to the State University of New York on March 30, 1979, he wrote:

> In our review of the impact of higher tuition we were able to determine that for many thousands of freshmen and sophomores the actual cost of attending SUNY next fall will be lower than

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[1] This is the best estimate. We are 95% confident that the true effect ranged between essentially no effect up to 81.6%, with the probabilities decreasing in either direction of 35.88%.

> the current year, despite the tuition increase. This is due to the fact that, as tuition rises, so also does the amount of financial aid available, particularly to students from low and middle income families.

When California began discussing higher (or initial) tuitions in its public institutions after Proposition 13, it was pointed out that Federal student aid would "buffer" students from the increase and that large amounts of Federal dollars would flow into the State in the bargain.

There is little question that many if not most states have raised prices partially in response to the availability of student aid funds. Yet, the amount of Federal student aid money flowing into a state cannot be connected directly to tuition price levels because the amount of Federal aid entering a state is itself determined in part by existing (historic) tuition levels. In other words, one cannot be sure which is the cause and which is the effect.

For this reason, it is exceedingly difficult to separate out the actual contribution of student aid to tuition prices in a statistical analysis. The controls invoked hopefully were helpful in this, and examining *change* in tuition prices should also add to the validity of results; nevertheless one should view the following with caution.

The basic finding of the state analysis was that state university tuitions are higher in states where the amount of Federal student aid is higher, even after other factors are controlled. Specifically, it is estimated that 1977-8 tuition prices were higher by $13.28 for every $100 in additional (relative to other states) Federal student aid entering the state. For example, assuming the figures to pertain equally to all states, of the $555 difference in tuition at the State University of New York at Buffalo in comparison to the University of Texas at Austin, $99.07 is accounted for by the fact that $746 more in Federal aid per student enters New York than enters Texas.

By viewing *change* in tuition prices among the 50 state institutions, it is possible to overcome much of the problem resulting from historic state tuition differences and thus in the cause/effect problem. Continuing to hold other variables constant, it is found that every $100 difference among the states in Federal aid per student received is accompanied by tuition differences of $15.44 for the decade 1968-78. Since, nationally, Federal aid per student averaged $489.92 (for *all* students) in 1978, this would translate into a tuition effect of $75.64 for an "average" state university in comparison to a hypothetical state university having no Federal student aid at all. Since the average (sample) tuition increase during this period was $306.58, these Federal student aid programs would have accounted for 24.67 percent of the tuition growth experienced. This is for the "average" state university in the United States.

Discussion

Results of the two analyses are, of course, not strictly comparable. The first estimates the impact of Federal student aid programs on public tuition in the aggregate and over time, while the latter estimates the impact on 50 major state universities for one year—1978. Further, statistical analyses of this kind really do not disclose cause and effect. They merely attempt to hold constant the effects of other factors thought to affect the subject under study so that the presumed import of a particular factor can be determined. They may or may not be successful in this, and in these analyses there was considerable cause for skepticism. Finally, factors not identified also may have an important (and unknown) impact. In these analyses, these potential sources of error were presumed to be relatively small.[2]

The encouraging aspect of the findings is that they are highly plausible. The first analysis yielded the estimate that from the beginning of Federal need-based student aid (1965) to 1977, 35.88 percent of the public college tuition increase was accounted for by growth in the aid programs. The second analysis estimated that from 1968-77, 24.67 percent of tuition increases in 50 state universities was accounted for by the aid programs. These numbers, ranging from slightly less than one-fourth to somewhat over one-third of tuition increases, are not only fairly consistent, given the differences in methods and samples, but are generally "believable" in light of what one might have anticipated. A knowledge of tuition setting procedures, the dynamics of postsecondary education in the past few years, and public statements made by tuition price setters, would lead one to believe that the availability of Federal student aid funds has had a stimulating effect upon tuition prices but that constraints have acted to hold the increases down. I have been estimating the effects at about "one-third" for some years and thus am somewhat gratified by these results.

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[2] Explained variance values were .98 for the time series analysis and .77 and .64 for the two state analyses, in order.

Table 1. Estimated Average Charges (Current Dollars) Per Full-Time Undergraduate Resident Degree-Credit Student in Institutions of Higher Education, by Institutional Type and Control and Federal Need-Based Student Aid in Millions of Dollars, 1964-65 to 1976-77

	Tuition and Required Fees					
Year and Control	All	Annual Percent Change	University	Other Four-Year	Two-Year	Need-Based Federal Student Aid
1964-65						
Public	$ 243		$ 298	$ 224	$ 99	0
Nonpublic	1,088		1,297	1,023	702	
1965-66						
Public	257	5.8	327	240	109	56
Nonpublic	1,154	6.1	1,369	1,086	768	
1966-67						
Public	275	7.0	360	259	121	167
Nonpublic	1,233	6.8	1,456	1,162	845	
1967-68						
Public	283	2.9	366	268	143	292
Nonpublic	1,297	5.2	1,534	1,237	893	
1968-69						
Public	295	4.2	377	281	170	321
Nonpublic	1,383	6.6	1,638	1,335	996	
1969-70						
Public	324	9.8	427	307	179	341
Nonpublic	1,534	10.9	1,809	1,469	1,034	
1970-71						
Public	352	8.6	478	333	186	392
Nonpublic	1,685	9.8	1,981	1,603	1,110	
1971-72						
Public	376	6.8	526	354	192	490
Nonpublic	1,820	8.0	2,133	1,721	1,172	

Table 1. Continued

	Tuition and Required Fees					
Year and Control	All	Annual Percent Change	University	Other Four-Year	Two-Year	Need-Based Federal Student Aid
1972-73						
Public	$ 400	6.4	$ 536	$ 392	$ 213	860
Nonpublic	1,869	2.7	2,199	1,775	1,213	
1973-74						
Public	445	11.3	571	453	246	895
Nonpublic	2,009	7.5	2,373	1,917	1,315	
1974-75						
Public	503	13.0	653	515	285	1,256
Nonpublic	2,290	14.0	2,701	2,188	1,496	
1975-76						
Public	533	6.0	690	550	301	2,091
Nonpublic	2,445	6.8	2,876	2,337	1,652	
1976-77						
Public	596	11.8	760	615	387	2,953
Nonpublic	2,534	3.6	2,979	2,421	1,740	
All	1,048					
Change, 1964-65 to 1976-77						
Public	356 (145)*		462 (155)*	391 (175)*	288 (291)*	
Nonpublic	1,446 (133)*		1,682 (130)*	1,398 (137)*	1,038 (148)*	

Source: Computed from Department of Health, Education, and Welfare, National Center for Education Statistics, *Projections of Educational Statistics* to 1984-85, 1975 edition, and from Table A-2 in Larry L. Leslie, *Higher Education Opportunity: A Decade of Progress*, 1977.

* Percentage.

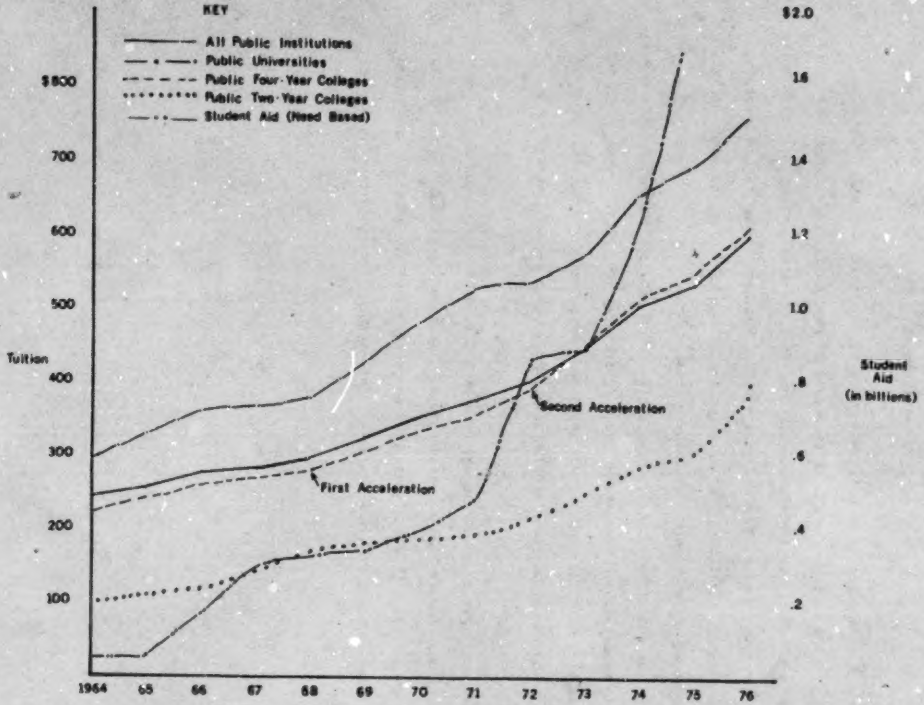

Figure 1. Public Institution Tuition Prices in Relation to Federal Need-Based Student Aid (in billions)

Technical Notes

Multicolinearity is an obvious problem in the first analysis. The high R^2 value (.98) is accompanied, as expected, by relatively low t-values ($p \simeq .10$ for the student aid variable) and wide confidence intervals. Autocorrelation was cause for some concern (Durbin-Watson = 2.95), but corrections failed to produce improved data. Intuitively, too many variables may have been included but it seemed necessary to control for each of these.

In the second analysis, from a theoretical viewpoint, the major problem would seem to be simultaneous equation bias. Apparently, the built-in controls handled this problem well, as shown by the results of experimental adjustments. Also, the results showed no important heteroscedasticity, which was believed to be a potential problem.

We anticipated results in the area of 33% and that the second analysis would be more conservative than the first due to the dampening effects of the in-state tuition controls. Thus, in spite of some problems, we are generally satisfied with the results of analysis one as a "best estimate" of the effects.

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Testimony
of
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Subcommittee on Postsecondary Education

Committee on Education and Labor

U. S. House of Representatives

May 9, 1979

The Effects of Federal Student Aid Policy on State and Institutional Tuition Policy

The Effects of Federal Student Aid Policy on State and Institutional Tuition Policy

I. Introduction: The Problem

The American Association of State Colleges and Universities (AASCU) has devoted considerable attention to the question of whether federal student aid policy can stimulate or encourage increases in tuition and other charges at public and private colleges and proprietary schools, as well as by state governments and local community college districts.

We are concerned, for example, with the statements made by Dr. George Weathersby, formerly Associate Director of the National Commission on the Financing of Postsecondary Education, and now Commissioner of Higher Education in the state of Indiana. Speaking at a conference on tuition and student aid in 1977, Dr. Weathersby said,

> It is interesting to note that the Basic Grants program has created a tremendous pressure on the states to raise tuition at the state institutions, up to a total cost of $2,800 plus. Perhaps one impact of BEOGs, for students who are above the eligibility cut-off, is to increase the cost of attending a public institution...Whether intended or not, the effect of BEOGs is to generate a new source of revenues for public institutions: namely, student grants. So a cycle develops: the total cost of education is raised by $1,000; then everyone is given a grant that is $1,000 minus BEOGs; in that process, an average of $500 per student goes from the federal government to the institution. You can see this happening. Two out of the three of the University of Massachusetts' campuses have raised their price, and the third is under pressure to do so. So there has been a dynamic effect which is working against access, because it raises the price for people who don't have financial aid. I don't think this effect was intended; I don't think that Congress intended the states to raise their prices.[1]

Dr. Weathersby's statement needs some qualifications. Only a minority of all students have been receiving BEOG grants; the needs analysis system for BEOG has been based on a poverty-related formula for estimating family expenditures which means that only students from relatively poor families received BEOGs.

For example, in Tennessee in a recent year, it was estimated that if tuition at the University of Tennessee were raised $100, only about 17 percent of the students would receive any additional SEOG funds, and they would average about $26 more. They would have to pay the additional $74 themselves—and most of the other 83 percent of the students, without a BEOG grant, would have to pay the full $100 increase.[2]

However, the extension of BEOG to middle-income students in 1978, achieved with the vigorous leadership of the Chairman of this Subcommittee and other members of Congress, means that many more students will be eligible for quite substantial BEOG assistance—and the temptation to raise tuition and "capture federal dollars" will become more serious. The increased availability of other student aid in addition to BEOG—SEOG, SSIG, College Work-Study, and loans—may also add to the temptation to raise charges, or offer an additional rationalization for doing so.

It goes without saying that if public, private, and profit-making schools or states raise their charges, the purpose of federal student aid is defeated. Congress is providing these funds to increase access to higher education. Increased tuition means that students will pay more and may be no better off. Indeed, they will probably be worse off because the half-cost limitation in BEOG means that they will have to pay at least half of the additional charges. Most will pay more than half the increase, as in the Tennessee example.

In turn, the federal government will have to provide more aid, not only to help the poorest students but those additional students who become eligible for aid as rising costs make them eligible.

AASCU has estimated very roughly that a $100 increase in tuition at colleges and universities could cost federal taxpayers an additional $100 to $200 million in student aid! There are about 7.6 million full-time-equivalent students in college. A $100 increase for each of them adds $760 million to their costs. It is quite possible that the demonstrated additional need for BEOG and other student aid could add up to $200 million. The students and their parents would have to pay the additional $560 million - or drop out of college.

The United States has had extensive experience with what amounted to an open-ended student assistance system. The Post-World War II G.I. Bill paid for tuition and fees up to $500 a year—higher than the tuition then charged at any college. As a result, many public, private, and profit-making institutions were able to increase their charges very substantially, with the federal taxpayer picking up the entire cost for millions of veterans. These costs and other problems led Congress to develop a more restricted payment system for Korean and Vietnam era veterans, in which payments were not based on institutional charges.

Discussing this experience, Chester E. Finn, Jr. has written,

> The experience under the G.I. Bill supports this assumption: if Washington holds out the promise of large enough subsidies to a large enough group of students, colleges and universities will raise their prices to take maximum advantage of their consumers' enhanced ability to pay, and the federal government will shoulder the burden of some eductional costs that would have been borne by others or perhaps not incurred at all...the temptation to transfer educational costs to Washington would prove irresistible to many. And undoubtedly alumni, philanthropists, foundations, and corporations could also reconsider their practice of supporting colleges and universities if the federal government made it easy for students to pay high prices.[3]

It is for such reasons that the American Association of State Colleges and Universities has long been concerned about whether an over-emphasis on the "student aid strategy," now spreading in the states as well as at the federal level, can encourage state legislatures and governing boards as well as public and private institutions to charge higher prices and transfer costs from the state and private sectors to the federal government. AASCU has favored a balanced system of support for institutions as well as students, to hold down tuition for all students.

Similarly, AASCU and others have been concerned about "student loan bank" proposals which could lead to an over-reliance on loans rather than a combination of state and private support for higher education.

We also view with great concern current proposals which could provide up to $5,000 or more per student in grant aid—up to 75 percent of total costs—plus additional thousands in federally subsidized work-study and loans. This could further encourage large-scale tuition increases and greater federal costs. We expect to testify on these proposals later this year.

Another reason for AASCU's concern is that a number of well-known spokesmen in the field of higher educational finance have specifically recommended—indeed, urged—that public college tuition be raised and much more use be made of federal as well as state student aid as a way to finance higher education, both public and private. The latest in a long series of publications which takes this position is Chester E. Finn, Jr. and David W. Breneman, Public Policy and Private Higher Education, especially Chapters 5 and 10.[4]

II. The Situation Today

The present situation is unclear. State governments and institutions are hard-pressed financially, in part because of the mood of fiscal austerity which has spread across the country. Governors and state legislatures are actively seeking ways to cut back expenditures, and are pressing public colleges and community colleges to do so. There are massive pressures for increased tuition and other student charges in many states. Similarly, the private and profit-making sectors are under pressure.

In several cases the availability of federal as well as state student aid has been used as a strong argument for raising tuition, perhaps the decisive one.

One of the most striking examples came in New York in 1975. Then State Commissioner of Education Ewald Nyquist published tables which purported to show that charging tuition at the City University of New York would not damage access, because of the availability of federal and state student aid.[5] Very high tuition levels for both four-year and two-year colleges at CUNY--higher than those for most other public colleges in the United States--were finally adopted. Since that time, some 50,000 CUNY students, many of them poor and disadvantaged, have dropped out of college.

T. Edward Hollander, the Deputy Commissioner for Higher and Professional Education for the state of New York, said later of this decision,

> I would guess, however, that in New York the Tuition Assistance Program, coupled with the BEOG half-cost provision, was a major factor in the decision to charge tuition at CUNY. Otherwise that move would not have been politically feasible.
>
> The argument can clearly be made—and I made it--that tuition at CUNY increased significantly the inflow of federal dollars--and in significant amounts in the BEOG program...
>
> Let me speculate about another factor. To the extent that independent institutions can raise tuition to a high enough level to increase significantly the level of unfunded student aid programs, they are able to enhance their position to "charge according to ability to pay" and achieve flexibility in student aid. I don't know if they are wise enough to see these possibilities, however.[6]

At the same conference at which Hollander spoke, Kenneth Reeher, Executive Director of the Higher Education Assistance Agency of Pennsylvania said,

> I have some figures here for Pennsylvania that might throw some light on this discussion. There are 25,000 BEOG recipients in our state-owned colleges, where costs are less than $2,800. So we have room to raise tuition and thus to capture more BEOG dollars. For every $100 that we raise tuition, Pennsylvania would capture an additional $1.25 million in BEOG. Currently, costs at the state-owned institutions are about $2,200; with the BEOG half-cost provision, we could raise tuition by $600, going up to $2,800. So Pennsylvania has the potential of capturing $7.5 million more in BEOG funds.[7]

John Mandryk, Coordinator of Student Assistance for Rhode Island Department of Education, added, "We tried it in Rhode Island."[8]

There have been several recent examples in which tuition increases have been rationalized in part by pointing to the availability of federal student aid. On March 30, 1979, Clifton R. Wharton, Jr., Chancellor of the State University of New York, addressed a letter to SUNY students and freshman applicants, announcing reluctantly that tuition for freshmen and sophomores at SUNY institutions would be raised from $750 to $900, but pointing out in some detail that for many students the availability of federal and state student aid would make up the difference, or a good part of the difference.[9]

In December, 1978, it was announced that the Chairman of the Vermont state Senate Appropriations Committee was exploring a proposal to charge the full cost of attendance to students at the University of Vermont and possibly the other Vermont state colleges. The assumption was that federal and additional state student aid would pick up part of the costs for needy students, but that the state could reduce expenses. According to one estimate, the state could eliminate $17 million by eliminating appropriations to public colleges, spend $13 million in additional state student aid, and still "save" about $4 million a year.[10]

This idea was dropped after some discussion, but it is an example of proposals for so-called "full-cost pricing" with additional federal and state student aid which continue to appear over the years in federal commission reports and in higher education studies made in such states as California, Ohio, and Wisconsin.

On April 23, 1979, the Vermont State Colleges Board of Trustees announced that tuition, room, and board would be raised by $500 a year, and added, "The Board has set tuition and fee rates at the practical maximum based on due consideration of rates of other institutions and of financial aid available..."[11]

In Wisconsin, there have been proposals by prestigious study commissions and by the state student agency to raise tuition very substantially and place more of the cost of education on federal as well as state student aid. These proposals, which have been the subject of intense controversy, are discussed at length in a study of Wisconsin state government and higher education done for the Sloan Commission.[12]

Additional reports from the states indicate similar developments. In Alabama, for example, at least one state official has suggested that tuition can be raised because of the increasing availability of federal student aid. We must emphasize again the point that the Middle-Income Student Assistance Act, as well as the more generous funding provided in other student aid programs, has still not really impacted American campuses. It will not do so until this fall or later. As a result, it is not yet possible to determine how fiscally hard-pressed states and institutions will react when MISAA is fully operational. But Congress is now planning to extend the student aid programs until 1985 or later, and must plan for the future.

AASCU, of course, has strongly supported MISAA and the other programs. But we believe that some maintenance of effort is needed to encourage states and public and private institutions to continue to provide adequate support for higher education with non-federal dollars. We believe in a balanced federal, state, and institutional partnership in which all do their share.

We are also concerned that implicit or explicit moves to shift more of the burden to the federal government, by raising tuition or increasing grant aid to thousands of dollars per student, can lead to moves for federal cost containment, in the same way that rising hospital costs have led to demands for cost containment in that area. We do not want this to happen in higher education.

* * * * * *

Footnotes

1. Thomas M. Corwin and Laura Kent, "Tuition and Student Aid: Their Relation to College Enrollment Decisions,"American Council on Education, May, 1978, p. 69.

2. Statement by President Edward J. Boling of the University of Tennessee to the Tennessee legislature, April 6, 1977.

3. Chester E. Finn, Jr., Scholars, Dollars, and Bureaucrats, Brookings Institution, 1978, pp. 93-95

4. Chester E. Finn, Jr. and David W. Breneman, Brookings Institution, 1978.

5. New York Times, Sept. 17 and Oct. 2, 1975

6. Patricia Smith and Laura Kent, "The Impact of the Basic Grant Program on the States, " American Council on Education, August 1977, pp. 74-75.

7. Ibid., pp. 75-76

8. Ibid.

9. Public letter to students from Chancellor Clifton B. Wharton, Jr., March 30, 1979.

10. Correspondence in the possession of the American Association of State Colleges and Universities.

11. Vermont State Colleges, Board of Trustees, resolution, April 23, 1979.

12. Jacob O. Stampen, "Conflict, Accountability and the Wisconsin Idea; Relations Between Government and Higher Education in Wisconsin 1965 to the Present," Sloan Commission on Government and Higher Education, November 1978, esp. pp. 115-118.

Mr. **Ford**. Mr. Ramsden, would you like to proceed. You may supplement your statement, or add to it, highlight it, if you feel comfortable.

STATEMENT OF RICHARD RAMSDEN, VICE PRESIDENT, ADMINISTRATION AND FINANCE, BROWN UNIVERSITY, RHODE ISLAND

Mr. **Ramsden**. Mr. Chairman, I had the wisdom not to prepare any written testimony. I thought what I would do is try to speak briefly about pricing, recognizing it is very hard to generalize on this subject across all of private higher education.

I thought what I might do this morning is explain how pricing decisions are made at one institution, my own, and perhaps make some observations and generalizations from that experience.

Brown University is an independent institution. It is a large institution by private standards, but small by public standards. We have about 5,200 undergraduates, a graduate school of arts and sciences of about 1,200, and a medical school of 250 students—all told, about 6,600.

In the current year, the university's budget of approximately $71 million breaks down into three key parts: A medical program of about $8 million; auxiliary enterprises such as housing, dining, and the bookstore totaling $12 million; and the critical education and general budget of about $50 million.

If you look at the $71 million and see how it is spent, it breaks down into a few key categories. About 58 or 59 percent of the $71 million is compensation, wages, and fringe benefits of people at Brown University from custodian to president including wages of graduate students who serve as teaching assistants and research assistants.

Another 8 to 9 percent of the $71 million is for scholarships and fellowships at the undergraduate and graduate level. Thus, about two-thirds of our expenditures are for people—our employees and our students.

If you add another 5 or 6 percent for food and supplies, 4 percent for energy, 2 percent for books, and, last, about 20 percent for all those other things from debt service to insurance and professional services to telephone and travel, you have an idea of what comprises the cost base of a university—in my case, private—but, I suspect, not very different on the public side.

What I would suggest is that if you look at those pieces, it is easy to understand what drives pricing decisions at a private university.

Two-thirds of the costs are people costs. In a period of 8, 9, and 10 percent inflation, even though our faculty and staff understand that their standard of living is losing ground in a real sense, nevertheless, they still expect reasonable wage increases.

In the area of food, supplies, and energy, you are fully aware of the rate of inflation. In the case of books, a major portion of the library acquisition budget of a university is for foreign books and periodicals. The devaluation of the dollar compared to other key currencies in recent years has meant that library acquisition budgets buy less and less each year.

In a year such as we are in right now, it is easy to see that even if we could hold down wage demands to 7 percent or below, when we add up these total costs, many of which we have little or no control over, our total cost base is rising rapidly. We have to buy food. We have to buy fuel. We have to continue to buy books. We have to pay for social security. Thus, our basic, underlying costs are growing at 7 or 8 percent in a period such as this without any qualitative improvements in the institution. Well, how do we pay for this?

Again, if you look at a private university, one can break down our revenue sources into a few key categories. In the case of Brown, let's take a look this time at just the $50 million education and general budget because that is where the financial aid is which we will want to discuss.

Tuition provides about 57 or 58 percent of our educational and general revenues at Brown; almost $3 out of every $5. Research, sponsored by Federal, State, and private sources comprises about 23 percent. Gifts, both the typical annual fund with which we are all familiar and restricted gifts from foundations and corporations, total about 8 percent, and, in the case of Brown, endowment income also is about 7 or 8 percent. If my math is correct, I think that adds up to about 95 percent. Beyond that, we have interest income on our current funds or working capital and miscellaneous income of various kinds.

The key point to understand is that tuition is the most important piece, providing almost 60 cents out of every dollar of critical education and general income.

Well, if our costs go up 8 percent, how are we going to pay for those costs? When you look at the revenue side, you quickly see that while many of our costs are, in effect, uncontrollable, on the revenue side, many of our revenues are unpredictable.

We can tell our alumni to increase the annual fund by 10 percent each year but they do not always listen. I can hope the stock and bond markets perform, but over the last decade they have not been very accommodating.

In the case of the $16 million or $17 million of sponsored research, that is a function of about 500 separate research proposals submitted to sponsors in the course of a given year from which result about 350 actual awards. Sponsored research revenues are a function, obviously, of what is going on at HEW and NSF, and a lot of other places and the skill and creativity of our faculty in anticipating and defining research needs.

But what you come down to if these other sources—research, gifts, endowment income—do not grow as much as we would like, if they only increase 5 percent, well, the only thing remaining is tuition. That is the only revenue we have left to control. And if our basic costs are going up 8 percent and some of our revenues are going up 5, it is elementary mathematics that if we are going to balance our budget, the only thing we have left is going to have to go up even faster, and that is tuition.

So I would submit to you that in making pricing decisions, certainly, at a private university such as my own, that prices are cost driven.

Tuition is the most important piece of the revenue puzzle and, in the final analysis, although we will do everything possible to expand other sources of revenues, there are limitations on our ability to influence them.

How does financial aid fit into all of this? In the case of Brown, we are more fortunate than most institutions in that there is a very strong demand for our product, a Brown education.

In the current year for next fall's freshman's class, we have 11,400 applications for a freshman class of about 1,300. Our applicants apply to other institutions as well and we accept about 2,600 to enroll a freshman class of 1,300. Nevertheless, it means we are in the position of accepting between 20 and 25 percent of our applicants.

We accept students at Brown without regard to their need. We accept them, and then we do the needs analysis to see what it is going to cost.

In the current year, the undergraduate grant aid budget is $4.1 million. Next year, it will be $4.5 million. That is exclusive of aid at the graduate level. Of the 5,200 undergraduates, about 30 percent received grant aid. Another 10 or 15 percent who have less need receive just loan-and-job aid.

Where does the $4.1 million come from? It comes from three places. About $600,000 comes from endowment income, the income on about $12 million of endowment which has been given over the course of a couple of hundred years to support undergraduate financial aid. About $350,000 in the current year comes from the supplemental educational opportunity grant program. Including some current gifts, together these sources account for about $1 million of what we would call "restricted sources"—from the Federal Government, our own endowment, or specific current gifts. The other $3.1 million comes from unrestricted or general funds of Brown University.

Like most private institutions, Brown applies a financial aid packaging approach to meet need. We ask our students to assume a large measure of self-help before we provide them with grant aid. In the case of Brown today, an undergraduate financial aid student annually is expected to earn and apply toward educational expenses $600 from summer earnings, and during the 9-month academic year, both take a job and assume loans in the combined amount of approximately $2,000. For the average financial aid student at Brown, the $2,000 of self-help is comprised of about $900 of earnings and an $1,100 loan.

Thus, at Brown today the typical undergraduate financial aid student is responsible, over 4 years, for somewhere between $10,000 and $11,000 of his or her own education through work and loans exclusive of what we provide in the way of grant money, and exclusive of what their parents provide.

So we are placing a lot of responsibility on the student.

Where does the $3.1 million of unrestricted grant aid come from? Going back to my former analysis, $3 out of every $5 of educational and general funds that we receive come from tuition. The tuition that we are charging all of our students is helping to provide the scholarship funds for the roughly 30 percent who need them. In fact, if Brown tomorrow were to only accept full paying or no-need students, we could cut tuition by $600 per student immediately.

What would happen—and this might be interesting to you—if Brown University received an additional $1 million of Federal SEOG funds? What would a financial vice president do? What kind of things would he think of?

In the case of Brown, by our own standards we are fully meeting the needs of our students. Nevertheless, from one year to the next, if our tuition and fees are rising 7 or 8 percent, our undergraduate grant aid budget must also go up—from $4.1 million this year to $4.5 million next.

The extra $1 million would not only pay for that increment, but would permit us to replace some of our own unrestricted funds with Federal money which would free up our funds so they could be allocated to other very critical needs of the University.

What are those needs? First and foremost, compensation for faculty and staff. They do not want to become second and third class economic citizens, and I can sympathize with them.

We have a lot of unmet needs: Brown's 200 buildings are not maintained as well as they should and we face numerous federally mandated requirements such as section 504 of the Rehabilitation Act of 1973. The university's main computer was installed in 1969, and was introduced to the market in 1966. For a research university to be relying on a computer that is, in effect, 13 years old is a problem.

To the extent that incremental Federal grant dollars became available over and above what we need to meet year-to-year financial aid increases, in effect, we could reallocate some of our own funds to pressing needs such as library acquisitions, faculty salaries, and the like.

By the same token, if we simply wiped out Federal financial aid tomorrow, obviously it would hurt. In the current year, our students are receiving $400,000 to $500,000 of basic grants which are not in our budget, and $350,000 of SEOG funds. What would probably happen is that our tuition would have to go up a lot faster because if we retained our policy of accepting students without regard to need, we would have to replace Federal dollars with private dollars. The only ways we could do that would be to increase tuition even more or increase the self-help expectation of our financial aid students and put more of the burden on them by increasing the loan and job expectation.

Finally, we could reallocate funds from other areas of the university into financial aid—that is, make the rest of the system subsidize the student. Less library acquisitions. Lower faculty salaries, things of this nature.

These are the kind of thoughts that go on in the mind of a financial vice president looking at this basic subject.

To sum up, it is costs that are largely driving prices at private colleges and universities. In private higher education, there is a direct relationship between these costs and tuition. At Brown, almost 60 cents of the education and general dollar is coming from tuition, and we are less tuition dependent than most private colleges. In institutions with less endowment funds and little sponsored research, the relationship between costs and tuition is even more direct.

I have talked much too long, but I hope it has provided some insights, Mr. Chairman, into how pricing decisions are made.

Mr. FORD. Thank you very much.

We had Mr. O'Keefe from HEW the other day with a study based on information obtained from institutions showing that private institutions had maintained, over the past 10 years, an annualized increase of student costs of 7 percent, which was below other types of institutions that he referred to.

The highest percentage increase, I think understandably, went to public 2-year institutions.

Obviously, it has been difficult for private institutions to maintain that kind of control over the increase in costs to the students. The inflation rate has exceeded that 7 percent a number of times during the 10-year period.

What is the control factor, the motivating factor, aside from the fact that all the private institutions are run by such fine high-minded people, that has them controlling student cost better than public institutions?

Mr. RAMSDEN. We are not sure. Actually, to control student cost, I think if you look at the cost of education.

Mr. FORD. Cost to the student.

Mr. RAMSDEN. I think that, partially, the answer may be that in the case of my colleagues at public institutions, especially public 2-year institutions, the tuition levels have been so low that a small amount of dollar increase in tuition represents a large percentage increase.

I would not pretend that we have been wiser or more virtuous than our friends in the public sector. The mathematics of a $100 increase on a tuition of $200 versus a tuition of $3,000 may be the explanation.

Mr. FORD. What is the 1-year-package cost for students at your school?

Mr. RAMSDEN. Currently, $5,050 for tuition. Board and room is another $2,100. To that add $700 to $800 for personal expenses, books and transportation. In the current year, depending upon the student, the total cost is $7,800 to $8,000.

Mr. FORD. That $8,000 figure is the figure that HEW used to describe a high cost private institution, and then indicated that only 3 percent of the students were in those institutions.

I notice that in the budget you mention for financial aid students that you did not mention any BEOG money.

Mr. RAMSDEN. Since the basic grant money goes directly to the student, it does not flow through the income statement of the university. When we calculate student need, however, we take BEOG's into account. On average, for the 1,500 undergraduates receiving grant aid, it breaks down that their average grant support is about $3,000, and that would include a basic grant if they are eligible, as well as a supplemental grant and Brown funds. To this can be added $2,000 of self-help in the form of a job and loan.

The total financial aid package, on average, for the 1,500 would be approximately $5,000. The remaining $3,000 would be family contribution and summer earnings of the financial aid student.

Mr. FORD. The other part that you did not mention. Do you have any Federal work-study money?

Mr. **Ramsden**. Yes. Even more than supplemental grants, CWS is the single, most helpful Federal aid program at Brown today. It is helpful because we rely on work to such an enormous degree in our financial aid package. Also, it is a program which applies not only to undergraduates, but graduate students as well. It is doubly effective at a university because, whereas there has been considerable growth in undergraduate aid in the last decade, the opposite is true at the graduate level. Almost all of our graduate students are supported beyond the first year as teaching and research assistants, and in the first year 70 percent receive some type of fellowship or grant.

College work-study funds provide the underpinnings of the work programs at Brown and are very critical at both the undergraduate and graduate levels. In the current year, Brown receives about $400,000 of college work-study funds. In the prospective year, our CWS funds have gone up considerably. That reflects not only the increase in the CWS appropriation but the rather important change which took place in the U.S. Office of Education's determination of exactly where the need is among American colleges and universities for campus-based programs.

Mr. **Ford**. You have not mentioned any of the Federal loan programs; Presumably, with the kind of population that you are drawing at Brown, the changes made last year in accessibility to grants would have some impact; But also, there should be some impact from the broadening of the availability of guaranteed student loans.

Mr. **Ramsden**. With respect to the NDSL and FISL loan programs, between the two in a typical year, at the undergraduate and graduate levels, Brown lends $1.5 to $2 million. Because we are requiring our students to assume a large measure of self-help in the form of a job and a loan, the ability to provide a loan is critical to making the system work.

In the case of the FISL program, of course, we require our students to first seek loans from commercial lending organizations. If they cannot obtain them, then they come to us.

In the last couple of years, there has been some lessening at the undergraduate level in demand for Federal insured student loans from Brown as more students are able to get loans at commercial lending institutions.

However, we do not need to be lenders under both of these programs. I have made this speech many times. Brown is a lender under the health professions loan program, NDSL and FISL. We would prefer one Federal loan program with a single interest rate. The amount that could be borrowed by medical students or graduate students would have to be different from undergraduates, but that does not require separate programs. However, as long as you make available 3-percent money under NDSL, we feel we have to stay as lenders under the program so that our students have access to 3-percent money as well as 7-percent FISL funds.

If you want to take one step that would make life easier for institutions, make the NDSL a 7-percent interest rate program. Institutions like Brown University then could get out of the NDSL program. We could lend as FISL lenders and get our money from Sallie Mae. We are using that organization very effectively, and the moneys that the Congress is providing places like Brown University for new capital under the NDSL program, could be given to smaller colleges that do not have access to Sallie Mae.

So there is a lot of redundancy in the loan area, Mr. Chairman. We need access to loan capital, but I do not think we need to run three loan programs.

Mr. **Ford**. Is it proper to summarize what you say by drawing the conclusion that, with all of the factors in the present structure, the level of Federal assistance at an institution like Brown has not yet reached the stage where it would be an important consideration in attempting to increase student cost?

Mr. **Ramsden**. That's correct. To slow the rise in tuition, we have to slow inflation and the cost of people, books, food, energy and the like.

The availability of Federal aid can soften, can dampen the translation of those costs into tuition increases.

Mr. **Ford**. So you think that schools like Brown would be motivated to use the add-ons of Federal aid to avoid a cost increase rather than to capture the funds, and increase the cost?

Mr. **Ramsden**. Yes.

Mr. **Ford**. Mr. Buchanan.

Mr. **Buchanan**. Thank you, Mr. Chairman.

It would appear to me, Mr. Ramsden, that price competition plays a very small role in the tuition decisions at a university like Brown. Is that correct?

Mr. **Ramsden**. That's basically correct. Of course, we are dealing with not one price but with a lot of different prices because of extensive financial aid. There are a lot of people in the society, quite frankly, who have the resources to pay the $5,000 tuition. Most of the studies that we have done in cooperation with other schools indicate that the price of high quality private education has increased no faster than most other products in the society over the past 10 to 15 years. There is still a sizable market of families with children of high ability who believe strongly that quality education is one of the best investments they can make. However, we must make sure that we are constantly investing sufficient funds in financial aid to insure that we can serve families of all income levels.

Mr. **Buchanan**. Of course, the needy student does not have the same kind of case in entering your institution as the student from the family that does not have any kind of needs requirement.

It seems to me, in that case, your only defense is as to excellence. There is no other way you are going to meet the competition of the price range in terms of a public institution.

Mr. **Ramsden**. For someone who is a full-paying student.

Mr. **Buchanan**. Yes.

Mr. **Ramsden**. They have to decide if they want to pay the extra amount for what I would hope they would perceive as a difference in terms of the product. That difference may not be appropriate for all people, but hopefully there are enough out there who will say: "I am willing to pay the difference."

Mr. **Buchanan**. I see. I am just a little curious. This is not a hostile question, but I am just trying to clarify.

Mr. **Ramsden**. All right.

Mr. **Buchanan**. In response to the chairman's last question, you indicated that an increase in Federal aid would result in, probably, a lower increase in tutition cost.

Mr. **Ramsden**. I will give an example because we have just gone through it.

Next year at Brown University—we are fortunate in that we are receiving a meaningful increase in college work-study funds, and an additional $200,000 in supplemental grant funds. How, exactly, has that affected our decisions for 1979-80? It has meant that for the first time in several years there will be no increase next year for Brown financial aid students in the self-help expectation in terms of loans. For the first time in a long time we are not going to have to ask that they take on more loans.

Also, for the first time next year, the earnings expectation will go up very little.

These incremental Federal resources have made the financial aid packaging for undergraduate students at Brown a little bit easier, a little bit fairer, as compared to the normal annual requirement that students assume greater job and loan responsibilities. So this is a direct example of what happens, and what will happen.

So what you have done is that these incremental resources, in effect, have made the financial aid packaging for undergraduate students at Brown, I think, a little bit easier, a little bit fairer as against the constant drive, the constant threat to put more loans and work on them. So this is a direct example of what happens, and what will happen.

Mr. **Buchanan**. In response to an earlier question, you said something about if Federal aid increased, then you might be able to use the funds you are now using for doing things like increasing faculty salaries, and other things like that. I guess there is confusion in my mind. It could go either way. You might have less tuition costs, but on the other hand, you might do some other things that you believe might improve the quality.

Mr. **Ramsden**. Yes. You have the basic choice between improving the quality of the product or maintaining the existing quality and slowing the increase in price. Those are the basic choices.

Mr. **Ford**. Thank you.

Mr. Leslie.

STATEMENT OF LARRY LESLIE, PROFESSOR, CENTER FOR THE STUDY OF HIGHER EDUCATION, UNIVERSITY OF ARIZONA

Mr. **Leslie**. Mr. Chairman and Mr. Buchanan, my testimony reflects the insights and the research of one who specializes in the areas of higher education finance, and it is not intended to represent the views of any organization or any institution, including my own. I am testifying simply as one who conducts research in this area.

Those who asked me to testify specified that I should address the matter of the extent to which, in quantitative terms, Federal need-based student aid affects tuition prices in American public colleges and universities.

My written testimony is contained in four parts. However, I believe I will skip over the first two parts, and get to part 3 which I think is really the reason for my being here. This is the part in which I report the results of our analyses of data related to this important question.

We examined the changes in tuition prices controlling for the effects upon tuition of a host of factors that are presumed to affect tuition prices in higher education. Thus we were able to isolate on the effects of Federal need-based student aid.

We conducted two different analyses. There were two reasons for doing this: First of all, as anyone who has tried to do this kind of analysis knows, there are all sorts of technical problems in isolating a variable through regression analysis. We thought that by looking at the problem in two different ways—particularly if the results were fairly consistent—that the findings would be more believable. Fortunately, the results were quite consistent even though the analyses were quite different.

In the first analysis, we examined changes in tuition prices between 1964-77, controlling, over time, for a host of factors that might have affected tuitions. For example, we controlled for the effects of inflation, reasoning that very likely, public colleges and universities raise their tuitions to offset the effects of the higher prices they, themselves, pay. We controlled for the effects of enrollment changes, reasoning that institutions experiencing stable or even declining enrollments are perhaps likely to raise their tuition prices in order to make up for tuition income shortfalls. Further, we controlled for State appropriation fluctuations because our previous research has shown that, in fact, institutions do adjust their tuitions to make up for shortfalls in State appropriations.

Similarly, we controlled for the prices charged by private colleges and universities because our previous work has shown clearly that public institutions do take into account the prices charged in the private sector, particularly in the local region.

Our best estimate was that, holding all of these other factors constant, the Federal need-based student aid programs accounted for 35.88 percent of public tuition increases since the aid programs began—about 36 percent, or a little over one-third.

Based upon this figure, we would estimate that of the average of $353 in public tuition increase between 1964-65 and 1976-77, $126.68 was accounted for by Federal student aid. This is simply our best estimate. Put another way, for every $100 million that the Congress appropriated, public tuition went up by $4.29 at the average public institution—again and in each case, holding the effects of other variables constant.

In our second analysis, we examined 1976-77 tuition prices and price changes in 50 major State universities, one in each of the 50 States. Here we attempted to view the tuition prices as a function of the amount of Federal student aid coming into a given State while, again, holding other factors constant. Here we controlled for tuition prices at in-State private institutions, differences among the 50 States in terms of wealth, differences in terms of State appropriation amounts, differences in institutional quality, differences in the salaries paid to faculty and, most importantly, for prices charged at other public institutions in the State.

In this analysis, there is a particular problem because we cannot be at all sure whether the amount of student aid coming into a

State is, in fact, a result of higher tuitions, or is itself a cause, if you will, of higher tuition.

We attempted to solve this problem by looking at changes in tuition prices for the 50 universities over a decade, rather than simply looking at the prices at a particular point in time. Further, we held constant prices charged by other in-State public institutions, so that we could better isolate the effects of the Federal need-based student aid. We found that this approach, if anything, yielded, conservative results, which are as follows:

Continuing to hold other variables constant, we found that for every $100 difference among the States in Federal aid per student received, tuitions among the 50 universities varied by $15.44, for the decade 1968 to 1978. Federal need-based student aid programs accounted for just under one-fourth, about 25 percent, of the tuition growth in these 50 major State universities.

The results of these two analyses are not strictly comparable. The first estimates the impact of Federal need-based student aid on tuition, in the aggregate, over time: specifically, 1964–65 through 1977. The second analysis views the impact on 50 major State universities over a slightly different time period, 1968 over 1978.

Therefore, we were quite pleased that the results were fairly consistent, slightly less than one-fourth to somewhat over one-third of the tuition increases being accounted for by the amount of Federal need-based student aid appropriated. Indeed, given the differences in the methods and samples used, the results are surprisingly close. Further, they strike us as being quite plausible.

Now, I do not know whether the subcommittee members necessarily are pleased with these results. I do not know whether I like or dislike them myself. These are simply the numbers that turn out.

My own preference among these estimates is for the 36-percent figure because the second analysis was done only for universities, and it is likely that the controls result in a slight underestimate of the effects. So I think that the 36-percent figure probably would be the best estimate that we could give, recognizing that there is a range of possible results.

Thank you.

Mr. **Ford**. Thank you very, very much. We will go on to Mr. Ostar.

STATEMENT OF ALLAN W. OSTAR, EXECUTIVE DIRECTOR, AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES

Mr. **Ostar**. Thank you, Mr. Chairman.

The American Association of State Colleges and Universities has always supported the efforts of the Congress, the very successful efforts of the Congress and the chairman to increase the amount of Federal student aid available.

However, we view, and we believe that the Congress views Federal student aid as a supplement to assist the students who would not otherwise be able to receive a college education.

I want to emphasize the word "supplement" because we are concerned that at the present, the development of the Federal student aid policy, that Federal student aid is increasingly becoming a substitute, and may supplant institutional support from other sources.

Dr. George Weathersby, the current commissioner of higher education in the State of Indiana, has stated that the basic grants program has created a tremendous pressure on the States to raise tuition at the State institutions up to a total cost of perhaps $2,800 plus.

The impact has been not only on the cost of the students receiving BEOG, but the impact has been on those students who are not eligible for BEOG because they then have to pay the higher costs. So as Commissioner Weathersby has stated: "So there has been a dynamic effect which is working against access because it raises the price for people who don't have financial aid. I don't think this effect was intended." And then he states further: "I don't think that Congress intended the States to raise their prices."

It goes without saying that if the public and private profit making institutions or States raise their charges, the purpose of the Federal student aid programs is defeated. Congress is providing these funds to increase access to higher education.

Increased tuition means that students will pay more, and may be no better off and then, indeed, they will probably be worse off because the half-cost limitation in BEOG means that they will have to pay at least half of the additional charges, and most will pay more than half the increase.

In turn, the Federal Government will have to provide more aid not only to help the poorer students, but those additional students who will become eligible for aid as the rising costs make them eligible.

We have estimated very roughly that a $100 increase in tuition by the colleges and universities will cost an additional $100, $200 million in student aid.

The United States has had extensive experience with what amounted to an open ended student assistant system. The post-World War II GI bill paid for tuition and fees up to $500 a year—higher than the tuition then charged at any college

As a result, many public, private and profitmaking institutions were able to increase their charges very substantially, with the Federal taxpayers picking up the entire cost for millions of veterans. These costs and other problems led Congress to develop a more restrictive payment system for Korean and Vietnam era veterans in which payments were not based on institutional charges.

Chester E. Finn, Jr., has described this as:

> The experience under the GI bill which supports this assumption: If Washington holds out the promise of large enough subsidies to a large enough group of students, colleges and universities will raise their prices to take maximum advantage of their consumers' enhanced ability to pay, and the Federal Government will shoulder the burden of some educational costs that would have been borne by others, or perhaps not incurred at all.

It is for such reasons that our association has long been concerned about whether an overemphasis on the student aid strategy, now spreading in the States as well as at the Federal level, will encourage State legislatures and governing boards as well as public and private insitutions to charge higher prices, and transfer costs from the state and private sectors to the Federal Government.

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We have favored a balanced system of support for institutions, as well as students, to hold down tuition for all students.

Similarly, we have been concerned about student loan bank proposals which could lead to an overreliance on loans rather than a combination of State and private support for higher education.

We view with great concern current proposals which could provide up to $5,000 a year or more per student in grant aid—up to 75 percent of total costs—plus additional thousands in federally subsidized work-study and loans. This could further encourage large scale tuition increases and greater Federal costs.

Another reason for our concern is that a number of well-known spokesmen in the field of higher educational finance have specifically recommended and, indeed urged, that public college tuition be raised, and much more use be made of Federal as well as State student aid as a way to finance higher education, both public and private.

State governments and institutions are hard-pressed financially, in part, because of the mood of fiscal austerity which has spread across the country.

Governors and State legislatures are actively seeking ways to cut back expenditures, for shifting resources to meet the needs, and are pressing public colleges and community colleges to do so, to raise their tuitions. There are massive pressures for increased tuition and other student charges in many states. Similarly, the profitmaking institutions are under such pressure.

One of the most striking examples came in New York in 1975. Then State commissioner of education, Ewald Nyquist, published tables which purported to show that charging tuition at the then free, tuition-free City University of New York would not damage access because of the availability of Federal and State student aid.

Very high tuition levels for both 4-year and 2-year colleges at the City University of New York, higher than those for most other public colleges in the United States, were finally adopted. Since that time, some 50,000 City University of New York students, many of them poor and disadvantaged, have dropped out of college.

T. Edward Hollander, the deputy commissioner for higher and professional education for the State of New York, said later of this decision:

> I would guess that in New York, the tuition assistance program, coupled with the BEOG half-cost provision, was a major factor in the decision to charge tuition at the City University of New York. Otherwise, that move would not have been politically feasible.

The executive director of the higher education assistance agency in Pennsylvania, Mr. Kenneth Reeher, said:

> There are 25,000 recipients in our state-owned colleges where costs are less than $2800 a year. So we have room to raise tuition, and thus, to capture more BEOG dollars. For every $100 that we raise tuition, Pennsylvania would capture an additional $1.25 million in BEOG. Currently, costs at the state-owned institutions are about $2200. With the BEOG half-cost provision we could raise tuition by $600, going up to $2800. So Pennsylvania has the potential of capturing $7.5 million more in BEOG funds.

We have, similarly, examples in other States which are cited in the testimony. I will not go into those now.

We have, of course, strongly supported MISAA and the other programs. We are grateful to the leadership of the chairman for putting these programs in place, but we believe that some maintenance of effort is needed to encourage the State and the public and private institutions to provide adequate support for higher education with non-Federal dollars. We believe in a balanced Federal, State and institutional partnership in which all do their share.

We are also concerned that implicit or explicit moves to shift more of the burden to the student and then to the Federal Government by raising tuition or increasing grant aid to thousands of dollars per student will lead to moves for Federal cost containment in the same way that rising hospital costs have led to demands for cost containment in that area. We do not want this to happen in higher education.

Thank you.

Mr. FORD. Thank you.

I might proceed from the last comment on page 5. You speak about the dropout rate at the City University of New York which is pretty startling. It reminded me that we have a letter now from the Ways and Means Committee asking for our opinion on the assertion by the administration that it is not just the States and the institutions that are trying to capture our dollars.

There is a proposal coming from the administration that we drop social security payments for college students because we have increased student aid by such a large amount that it is no longer necessary, and the committee is actually considering legislation over there to do it.

I have much confidence in our former colleague, Mr. Gibbons, who is the chairman of that committee, that I think it will be examined very carefully, but our preliminary reaction to that is that the money is not going to the same place for the same purpose. It really is not going to be replaced by student aid, and somebody who is now going to school will have to quit going to school, and others who want to would not be able to go.

This, of course, is at the base of our concern about capturing money. It is not just the question of others using their ingenuity to reduce their own burden to raise funds, but it is the impact that it will have on the main purpose of student aid: to provide access.

You are making the point that to the degree that there is any capturing of additional resources, the impact will be directly felt on production and access.

The point has already been made, and you make it again here, that raising the tuition for everyone starts to discriminate most heavily against the people who are not receiving the increased aid that generates the increased cost.

We have seen that spiral work in health care in this country where the enlargement of the number of people covered by health insurance and hospitalization insurance has made them third-party consumers of health care. A lot of people believe that that is the reason that health care cost has been able to escalate as rapidly as it has without a majority of the citizens realizing what was happening to them. But it has been apparent that, while health care has been escalating sometimes 50 percent a year in cost, for that minority of the population that does not have health care insurance, access to a hospital is virtually impossible unless one goes to a charity ward. We could have the same sort of a result perhaps, if we are not able to guard against it.

I have a question for all three of you. Assuming that, as was stated here the normal control factors that apply to private schools and the normal inhibitors that apply with respect to public institutions will, in fact, help to hold down the cost, there is clear evidence that that is not universally true. I notice in the report from Mr. Reeher that Pennsylvania is one of the States that is very actively trying to figure out how to begin to grab the Federal dollars without increasing the amount of student or institutional support or aid. They have got other problems in trying to solve these student problems with respect to dollars.

Short of the kind of drastic action that is being proposed with cost containment in the health industry, what kind of devices do any of you gentlemen see as being available to us to discourage this kind of a transfer of funds and, subsequently, to increase the cost paid by the State, as distinguished from the other sources of maintaining a university? How can you do that?

Mr. **Ostar**. I will start off since the microphone is in front of me, Mr. Chairman, and then I will move it down the line.

What we would prefer is, in effect, a maintenance-of-effort provision in the Federal legislation. We recognize the difficulty of administering a maintenance-of-effort provision. We are now working on a plan which would be an incentive plan to provide Federal funds to institutions in the form of general institutional support as an incentive for those institutions that are prepared to hold their costs down.

The only way they could get this additional payment would be by developing and maintaining a level of tuition increase below that, or at the level of the Consumer Price Index, or perhaps there might be a very slight increase, in fact, to be determined.

We do not have a well worked out plan as yet, but we are working on some kind of an incentive plan. We think that would be the easiest plan to administer instead of setting into place a whole series of Federal controls over the ways by which institutions establish their charges, that the responsibility would shift to them because of an incentive payment.

Let me pass this down.

Mr. **Ford**. Let me just discuss that with you for a moment. In State colleges and universities, tuition is only one of the temptations to capture the money. The legislatures, directly or indirectly, decide how much of the total cost for each year is going to be borne by tuition. That is one way that they could make a change that would shift more of the burden to the student, but the other way is in adding pressure to the institution by reducing either student aid or direct institutional appropriations. That seems to be the kind of thing that is being discussed by legislative committees.

To what extent can we raise the annual appropriation we are making now so that there will be more Federal aid to make up the difference with the result presumably being that you do not reduce the present level of support, but you also do not increase it? What kind of incentive is there for the State legislature? What kind of device could we use for the State legislature, recognizing that most of the money that they are appropriating is spent only on their own residents and for schools within their own States.

In the elementary programs, we do it in a rather simplistic way, saying: You will not spend less from your own treasury than you did in base year so-and-so and in the 2 years preceding the date of your application, or whatever.

That has appeal except for the fact that there is no way to get at the private institutions with that kind of legislation.

Mr. OSTAR. Well, we recognize the limitations of the maintenance-of-effort provision, We would strongly support it, and hope that some way could be found to enforce it.

We have to say, in all fairness and honesty, that we have not seen a great rush by the States to reduce appropriations for public institutions in order to capture the Federal dollars.

I think the reason for that is that they also recognize the importance of the Federal student aid as a supplement and as a way of helping very needy students to go to college, providing that access, but increasingly, I have been hearing reports from the States that as the Federal aid, as the amount of the Federal student aid dollars begins to be very significant and with the oncoming of MISAA, even more so, that they will try to capture those dollars.

The Governor of one Midwest State told me 2 weeks ago that for the first time, he is proposing proposals now to find ways of reducing, or not reducing, to keep from increasing the levels of State institutional support in order to get the Federal dollars.

I have no solution to the problem as far as the private sector is concerned, but I do think that our incentive payment plan would be of great benefit to both public and private institutions.

Mr. FORD. Thank you.

Does anyone else wish to comment?

Mr. LESLIE. Over the past 2 years, I have seen a number of proposals to accomplish what we are talking about here. I must say that the proposal Mr. Ostar's organization has put together strikes me as about the best.

The only additional comment I would make is that I believe he neglected to say that there would be a graduation of the incentive based upon the amount of tuition increase that the institution passed in a given year.

The other comment I would make is that whether we are talking about slowing down or curtailing the level of State appropriations or any other strategy, it comes out the same because the only way that the institutions can capture additional money from the Federal Government is to raise tuition prices.

Generally, the presence of a Federal grant recipient on campus contributes absolutely nothing to institutional vitality or to the institutional budget other than the amount that the institution can capture through higher tuitions. The exception would be if some economy of scale were to operate. If student aid causes more students to enroll, some economies may be realized for an institution that is "underenrolled." But on the whole, institutions have to raise prices before they benefit from student aid.

Mr. RAMSDEN. Mr. Chairman, a couple of observations: One, we have been using "cost" and "price" interchangeably. Whether in the private or public sector, especially in periods of 8, 9, or 10-percent inflation, the costs of producing the educational product are going to be going up. What we are really talking about is who is going to pay for it, whether it is the parent or the student, State government, or the Federal Government.

I would be very wary of creating additional rigidities in a system which I think is going to have to be quick and responsive, in a financial and economic sense, in the years ahead.

I am afraid of level of maintenance provisions and "incentives" to do things on the private side. There are not going to be any sugar daddies as costs go up. Unless we can raise a lot more money privately, unless our endowments do extraordinarily well, prices are going to go up. Tuitions are going to go up, and that may or may not be appropriate, depending upon what is happening in terms of after-tax incomes.

Mr. **Ostar**. Reducing State appropriations would probably mean raising tuition, too.

I think that one way the Federal Government can, in a sense, protect itself, if you will, to make sure that the partnership continues is in the whole area of financial aid packaging.

I think it is well appreciated that a grant is more desirable than is work. Work may or may not be more desirable than a loan.

As you go above a certain basic level of support which the basic grant program provides, I think there are a lot of very, very thoughtful and creative suggestions to say that incremental aid should be packaged, it should be in the form of work and a loan as well as grant money, but when you do that, it makes it a little less attractive to people, I think, to simply make a pricing policy based on perceived gain from Federal aid, because the students themselves are going to provide very, very effective counterpressure because they are the ones who are going to have to do the work, and they are the ones who are going to have to take loans out, whether in the public or private sector.

So I would make two or three points. One, keep costs and prices distinct. They are two very different things. Public and private institutions have similar costs often, if you really analyze it. It is just a question of who is paying for it.

Second, I would advise the committee to be very, very wary of creating additional rigidities in a system that I think is going to have to go under an enormous change in the next decade, and have to be responsive and quick.

And finally, I think that the one thing you can do is in this area: that once you get above a certain threshold level of support, that provides a level of access to the least, or the lowest priced institutions, once you start moving up that scale, I think that you have got to ask more of the student in terms of jobs and loans, and I think that when you do that, my guess is that some of these problems you describe start to take care of themselves.

Mr. **Ford**. Thank you very much.

Do you want to ask some questions?

Mr. **Clohan**. The degree to which the committee has gotten several proposals is invigorating. Regarding the SSIG program, Carnegie recommends appropriating almost $1 billion. Some proposals recommend eliminating the program totally because of the disparities among the States in State grant money appropriated. They feel that there can never really be an effective program, or a program which would be any more effective than it is now.

At the same time, there is indication in the testimony this morning that some States are making decisions to not increase State appropriations for grant money based on the fact that there are additional Federal moneys out there.

Do you have any recommendations for enhancing the SSIG program so that it could perhaps encourage the States to provide additional grant money to match the Federal money? Do you think that the program has lost its effectiveness?

Mr. LESLIE. Based upon some data from previous work of ours, I would say that the SSIG program does far more than any other program to raise tuition prices in public institutions.

We have done some separate analyses on the effect of State student aid on tuition prices, and the relationship between the amount of money appropriated by State governments to tuition prices is much stronger than the relationship between Federal Government student aid and tuition prices.

There is a great incentive, I think, in the SSIG program for institutions to move money from direct appropriations to institutions to student aid. I just do not think there is any question about that.

Mr. OSTAR. Yes.

Mr. CLOHAN. There is a tradeoff.

Mr. LESLIE. I am not sure it is a dollar-for-dollar tradeoff. We found a 97-cent tradeoff per $1.

Mr. CLOHAN. The recent study?

Mr. LESLIE. Yes. It is 1976–77 data.

Mr. FORD. I think that what Mr. Clohan is referring to is probably trying to deal with MISAA, and a conflict of incentive.

We tried to raise the threshold because it was pointed out to us that States like Pennsylvaina and others were so far oversubscribed that there was, in fact, no incentive left in the program. Pennsylvania, New Jersey and three or four other States could make a substantial reduction in State expenditures before the first dollar of Federal money was ever affected. In the States where it has worked, it has worked so well that they have exceeded our expectations while, as Mr. Clohan implies in his question, there are other States that just have not moved at all. There just has been no response to it.

You are suggesting that the intended proportion of generated State dollars to match Federal dollars is way short of what we thought it was going to be.

Mr. LESLIE. Yes, I would say so.

Mr. FORD. From that standpoint, it has not generated anything close to our expectation, or been responsible for anything close to our expectation of increased State aid.

Mr. LESLIE. I am not entirely sure that the finding that I was reporting spoke directly to what you are saying although clearly, there is a relationship.

I was going to comment that at least in some States, I think there is less of an effort to try to capture Federal student aid dollars than there is for the removal of constraint from raising tuition prices.

Before departing from Tucson, I called the chairman of the Senate Education Committee. He happens to be a friend. I asked him what was happening in Arizona in relation to Federal student aid and tuition prices. His comment was that the immediate reaction to proposals for higher tuitions in Arizona has always been to raise the question: What will be the effect on low income students? This was the reaction until about 3 of 4 years ago, he said. Now the immediate response to that question is "We need not worry about low-income students because of the availability of Federal student aid."

So I do not think, at least in our State, the effort is to capture Federal dollars—we are probably 15th in our success in that among the 50 States—but, rather, it is removal of a constraint, an important constraint, that was previously there. This constraint existed on both sides of the aisle, incidentally.

Mr. **Ford**. That is, apparently, what went through their minds with the proposal of social security as well. The initial purpose gets lost. It is fairly easy to rationalize, even at the level of HEW, that kind of dramatic change in a relatively short time on the ground that it is not needed any more because we are doing everything so much better with student aid.

Do you have any questions, Mr. Buchanan?

Mr. **Buchanan**. No. I want to apologize for having to shuttle back and forth.

Mr. **Ford**. Thank you very much for your contribution to the record of these hearings.

Our next panel discussion will be on the subject of student eligibility: less than halftime students. Our panel consists of Mr. Joel Packer, the Legislative Director of the U.S. Student Association of Washington, D.C.; Mr. Norman Kurland who is the executive director of Adult Learning Services of the New York State Education Department; Mr. Jerold Roschwalb who is the director of higher education, National Association of State Universities and Land-Grant Colleges; Mr. Robert Sexton who is the associate dean of the University of Kentucky; and Mr. David Breneman of The Brookings Institution of Washington, D.C.

Without objection, the statements will be incorporated in full at this point in the record. We will call first on Mr. Packer to comment on his statement.

[The prepared statements of Joel Packer, legislative director, U.S. Student Association; Norman Kurland, executive director, Adult Learning Services, New York State Education Department, Albany, N.Y.; Jerold Roschwalb, director of higher education, National Association of State Universities and Land-Grant Colleges, Washington, D.C.; and David Breneman, The Brookings Institution, Washington, D.C., follow:]

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STATEMENT OF JOEL PACKER, LEGISLATIVE DIRECTOR, UNITED STATES STUDENT ASSOCIATION

Mr. Chairman and members of the Subcommittee, it is a real pleasure to appear before you once again. My name is Joel Packer and I am Legislative Director of the United States Student Association (USSA).

The holding of this hearing is quite significant. USSA wishes to commend you, Chairman Ford, for selecting the issue of aid for less-than half-time (LTHT) students as an early topic for review. This hearing is recognition of the changing character of enrollment in the nation's colleges and universities. The steady increase of part-time students, many of whom are older students, seems certain to continue, if not expand even faster. It is therefore not only appropriate, but quite vital that the underlying assumptions of the several Federal student aid programs be reviewed, in order to judge whether or not they are adequately meeting the needs of this new clientele.

The question of aid for the less-than half-time student is really integrally related to other issues such as the treatment of financially independent students, educational programs for adult students, and indeed the broad catagory of lifelong learning.

Before I review these areas, let me state that USSA does support, and has submitted to you, as part of our legislative package for reauthorization, limited aid for LTHT students. USSA believes that campuses should be given the discretionary authority under the Supplemental Educational Opportunity Grant program (SEOG) to provide aid, with certain restrictions to the LTHT student. Aid for these students has been endorsed by a variety of individuals and organizations including several of the traditional higher education associations who are also represented here today, the 60 students who attended the Office of Education funded Second Student-Commissioner Conference, the National Coalition for Women and Girls in Education, the Coalition for Alternatives in Postsecondary Education (CAPE), and the N.Y. Board of Regents.

The average person when asked to describe a typical college student would probably mention someone between 18 and 22 years of age, attending on a full-time basis, having started college immediately after high school. This is far from the reality of today's students however. For Fall 1977 while total enrollment was 11.4 million students, part-time enrollment was 4.5 million or 39.5 percent. Looking at just 2-year public institutions, part-timers composed 2.4 million out of 3.9 million, or a startling 62 percent. According to the National Center for Educational Statistics (NCES) publication, Fall Enrollment in Higher Education, 1977, "there were greater increases in part-time than in full-time enrollment in both public and private institutions." Part-time enrollment in Fall 1977 increased by 4.6 percent over 1976 levels compared with a 1.4 percent rise in full-time enrollment. Public two-year colleges experienced an increase in part-timers of 7.6 percent.

In 1967, according to the Digest for Education Statistics, 1977-78, part-time enrollment was 2.1 million out of a total of 6.9 million, or 30.5 percent. Therefore over the last ten years part-time enrollment has jumped by 2.4 million; a dramatic rise of 114 percent.

Looking at the age of college students, this same NCES publication notes there has been a "dramatic shift in the age distribution of college students betwen October 1972 and October 1976." The shift is rapidly toward increasing numbers of older students. Enrollment of persons under 25 years of age decerased from 72.0 to 67.0 percent of the total student population during this period. Those from 25 through 29 years old increased their proportion of enrollment from 5.8 to 7.2 percent and those 35 years and over went from 8.6 percent to 10.7 percent.

The increase in the older group is due mainly to a significant rise in the number of women this age going to college. The actual numbers of females in this age group (35 and over) enrolled in college went from 418,000 in 1972 to 700,000 in 1976, a 67.5 percent jump. The overall percentage increase for the 35 and over group from 1972 to 1976 was 51.9 percent, while that for other age groups was: 13.9 percent for those under 25, 37.2 percent for the 25-29 age group, and 51.2 percent for the 30-34 age group.

Obviously there are large numbers and ever-increasing numbers of older and part-time students. Federal aid programs currently discriminate against these groups in several ways. One of the primary means is by limiting eligibility to those who attend at least half-time which is defined as six credit hours a semester or the equivalent. The rationale for this arbitrary cut-off seems to be based on several reasons, basically that the LTHT student is not as serious or commited as the full-time student and not as needy as the full-time student. Before I show why the first two reasons are invalid, let me just mention a few other provisions of law that prevent the adult, part-time student from receiving aid.

The treatment of income of financially independent students, particularly those with dependents, under the Basic Educational Opportunity Grant program (BEOG) places these individuals at an unfair disadvantage. While MISAA now treats independents with dependents the same as a dependent student's family regarding assets, income of the former group is assessed at a rate of 4-5 times that of the latter. Similarly, in the Uniform Methodology which determines eligibility for the so-called campus-based programs there are gross inequities.

Other problems facing these students is the four-year limit on eligibility for BEOG and SEOG, a minimum award limit of $200, and the lack of direct proration of BEOG awards if the student is attending less than full-time. I will not address these issues now, since USSA will be presenting a general statement on the grant programs before this Subcommittee next week and will present proposals for improvements in these areas then.

The less-than half-time student is a serious hard-working, dedicated individual struggling to balance the responsibilities of higher education, a job, and a family. They are not taking a reduced course load simply because they feel like it, but because they cannot afford either the funds or the time necessary to carry a more intensive work load.

According to NCES, in 1975, 45 percent of the part-time students attending four-year institutions and 52 percent of those attending two-year schools had family incomes of less than $15,000. CAPE has estimated that at least half of all part-time students are excluded from Federal student aid because of the half-time provision. They are in need. Even a course load of 4 credits may cost several hundred dollars or more in tuititon plus the cost of transportation, books and other fees . A grant of $200 or $300 may very well make the difference between someone going to school or not.

These students are committed. NCES data show that 94 percent of all part-time students completed the courses for which they were enrolled in 1975 .

Title I, Part B of the Higher Education Act authorizes programs of lifelong learning. Sec. 131, which is the declaration of Congressional findings states among other things,

> "...lifelong learning has a role in developing the potential of all persons including improvement of their personal well-being, upgrading their workplace skills, and preparing them to participate in the civic, cultural, and political life of the Nation; and... American society should have as a goal the availibility of appropriate opportunities for lifelong learning for all its citizens without regard to restrictions of previous education or training, sex, age, handicapping condition, social or ethnic background, or economic circumstance."

The half-time restriction is unfortunately one of the main barriers to fulfilling the intent of this section. In Lifelong Learning and Public Policy, a February 1978 report from the Lifelong Learning Project, in a discussion of implementing the purposes of Title IB, the report states,

> ". . Federal policy should focus on equity: the accessibility of learning opportunities for all citizens. This emphasis on equity has been the cornerstone of Federal support for formal postsecondary education. Yet perplexing concerns remain regarding the adult learner, particularly the disadvantaged adult learner. Despite the general increases in participation in adult education, participation rates among the poor, the elderly, and the relatively uneducated are very low, according to all studies in this area. Adults also appear to be poorly served by certain current financial aid policies which, for example, do not allow support for students enrolled in college on a less than half-time basis. Indeed, in surveys of adults, "costs" or

> "expenses" are most frequently cited as reasons for not pursuing further education, yet both in this country and in Europe, only two to five percent of eligible workers participate in education benefit programs negotiated into union contracts."

Let me know examine in more detail a few broad categories of lifelong learners, many of whom are LTHT students. Workers are a large proportion of these individuals. Our society finds an increasing number of workers changing careers which can involve a simple change from one job to another, homemakers entering or re-entering the workforce, or a major shift in occupation. Statistics show that one-third of all workers changed occupation between 1965 and 1970, including 51 percent of men aged 20-29 and 38 percent of men 30-39 years old. Many of these persons are in need of education to upgrade their job skills for new occupations, or to keep pace with technological advances in their field. Frequently, the lower-paid and lower-skilled worker trying to improve his/her position is not eligibile for company education benefits. This is the type of person USSA has in mind as needing student aid funds while attending less than half-time.

Women are another major group of adult part-time learners. The Lifelong Learning Project notes,

> "The cost of returning to school for an adult is much greater than for a young person, but this is even more the case of women. The cost is especially high for a women who is interested in pursuing a degree-based university program. When asked why they do not continue their education, women frequently indicate the lack of money is the cause. Finances also hamper men's learning, but not so severely. Women face complex and often subtle financial barriers. If they continue their education they frequently must spend their money not only on the obvious expenses such

> as tuition or other fees, books, and transportation, but also on hidden costs such as childcare and convenience services and products. These hidden costs can increase the price of less expensive adult education and informal learning as well as more formal education. To make use of learning opportunities outside the home, the mother with preschool children must often pay for a daycare center or babysitter, rely more heavily on restuarants or prepared foods, and obtain outside help with the housework."

An excellent article in School Review, "Financial Aid for Lifelong Learning: The Special Case of Women" emphasizes this point further,

> "Women of all ages are turning to the education system to help them meet new personal and economic challenges. Older women with children who suddenly find themselves single heads of household because of divorce, for example, are seeking programs that can prepare them to become financially self-supporting but which can be coordinated with their already heavy schedules of work and childcare. While postsecondary institutions are moving to provide access to these women, a major obstacle remains:cost.
>
> "Under current systems of awarding financial aid, women students-particularly older, part-time women students-get short changed. In designing a revised system of financing continuing education, the needs of these students should be taken into account."

So once again we find individuals struggling to become more productive members of society by attending college on a part-time and less than half-time basis.

Let me now turn to a very different group of people, older adults as learners. Persons 65 years of age and older will continue to represent ever-larger percentages of our population. In 1900, only 3.1 million persons were 65 and over, 4.1 percent of total population. By 1975, 10.5 percent of the population, or 22.4 million persons were in this age group. HEW figures project as many as 31 million Americans over 65 by the year 2000. Yet according to the Lifelong Learning Project,

> "The education system, however, has failed to meet the needs of older persons. It has not helped them anticipate or deal with

> the stresses of human development in the later years of life. It has failed to help both middle-aged and older persons learn new skills or adapt old ones, thereby denying them the opportunity to contribute to society as members of the workforce or as skilled volunteers."

In assessing the barriers to attendance by older adults, the report specifically mentions the half-time restriction for Federal student aid and notes that older adults rarely attend more than half-time.

Mr. Chairman, based on this evidence USSA strongly recommends expanding eligibility for the SEOG program to the less than half-time student. The specifics of our proposal are attached for your information.

By totally denying LTHT students Federal aid the government is saying that their needs are less important than a full-time 18 year old student. We are continuing a great disservice to society by preventing these people form becoming more productive members of society through job improvements, economic independence, or simply better-informed and more active citizens. USSA believes that this would be short-sighted and in contradiction with the goals already stated by Congress in Title IB.

While we would ideally like to see full eligibility extended to the LTHT student in the BEOG and other programs, we realize that this may prove very expensive and could lead to certain abuses. The benefits of enacting our proposal is that it will not cost any new funds, it does not mandate particiaption by any school, and it will allow us to gather better data on the needs of the LTHT student. If the data show a great unfilled need, then USSA will actively work to expand eligibility for these persons.

In closing, let me once again thank you for the opportunity to be here.

AID FOR LESS THAN HALF-TIME STUDENTS

Subpart 2 of Part A of Title IV is amended by inserting after Sec. 413D. a new section, to be Sec. 413E. to read as follows,

"Less Than Half-Time Students

"Sec. 413E. (a)(1) From the funds received by it under this subpart, an institution may award a supplemental grant for an academic year to a student who is pursuing his course of study on a less than half-time basis. The amount to be paid such a student shall be the amount determined by the institution to be needed by that student to enable him to pursue his course of study, on such basis, at the institution, except that such amount shall not exceed --

"(1) 75 per centum of the student's education-related costs,

"(2) an amount which bears the same ratio to $2,000 as the rate at which the student is pursuing his course of study bears to the full-time rate for that course of study at the institution,

"(3) an amount per academic year which, if multiplied by the number of academic years required for the completion of the student's undergraduate course of study if he continued to pursue it at the same rate, exceeds $8,000.

"(b) For purposes of subsection (a)(1), the term 'education-related expenses' means the expenses to the student for tuition, fees, books, equipment, transportation, and child-care incident to his pursuit of his program of study.

RATIONALE FOR RECOMMENDED CHANGES

USSA recommends that institutions be allowed, but not mandated to provide grant aid under SEOG to less than half-time (LTHT) students. There are many cases when students who are taking less than the currently required course load of six credits may be in need of financial assistance. Individuals who work full-time and are in need of specific courses to upgrade their job skills, or older women desiring to obtain adegree but whose other responsibilities prevent them from taking more than one course are typical of the people we have in mind for this program.

The mechanism we recommend, as have many other associations, allows institutions at their discretion to give SEOG funds to LTHT students. Grants to such students cannot exceed 75% of the total education costs, which are defined to exclude room and board, since these individuals would have these expenses whether they attended or not.

"(c) The provisions of this part shall apply to supplemental grants under this section, except that subsection (a), paragraph (1) of subsection (b), and subparagraph (B) of paragraph (3) of subsection (b) of section 413B shall not apply. Determinations of need under this section shall be made in accordance with the basic criteria and schedules prescribed under section 413(a)(2)(C)."

RATIONALE FOR RECOMMENDED CHANGES

Students are required to contribute at least 25% of their costs from other than Title IV funds. Provisions are included so that the LTHT student cannot receive more than he/she would receive if he/she were a greater than half-time student. Finally, the maximum award which such student can receive cannot exceed the maximum he/she would be eligible for as a full-time student reduced proportionately to the number of credit hours carried.

EXTENSION OF TIME LIMIT ELIGIBILITY

Sec. 413B.(b)(1)(D) is amended by striking everything after the word "than" and inserting in lieu thereof the following,

"five full academic years, or upon receipt of a first baccalaureate degree, whichever is first, if the student is attending on a full-time basis. In those instances where a student is attending on a less than full-time basis, such student will be eligible to receive supplemental grants for the equivalent of five full academic years."

USSA proposes this amendment for the same reasons we proposed this change above for Basic Grants.

STATEMENT OF DR. NORMAN D. KURLAND, EXECUTIVE DIRECTOR, ADULT LEARNING SERVICES, NEW YORK STATE EDUCATION DEPARTMENT

Chairman Ford and Members of the Subcommittee on Postsecondary Education --

Thank you for inviting me to appear today to discuss the issue of student assistance for less than half-time study at institutions of postsecondary education. I will present the position of the New York State Board of Regents on this subject and the results of a study of student assistance done by our office.

The Board of Regents has submitted to the Congress its 1979 statement, Federal Legislation and Education in New York State. In that statement the Regents review all aspects of student financial aid and make a number of recommendations for consideration by the Congress. I commend the full statement for your thoughtful attention.

Today I will focus only on the Regents proposals on less than half-time study. The Regents position "is based on the concept that all students who need financial aid to attend an eligible postsecondary institution are entitled to receive grant assistance." The Regents believe that "all" students includes those persons, usually adults, who do or might attend less than half time. While some less than half-time students are in the traditional college-age group, most are adults with job and/or family responsibilities and limited financial resources. The Regents concern is that persons who demonstrate need on the same basis as students studying half-time or more should have equitable access to financial assistance.

The first program in which the Regents propose that aid be extended to less than half-time students is in the Supplemental Educational Opportunity Grant Program (SEOG).

The Regents state:

> Because the type of student enrolled in postsecondary education is changing, eligibility for SEOG assistance should be broadened. There are significant numbers of adults who can benefit from post-secondary education. Society would benefit from their increased participation. The

> SEOG program requires that participating institutions "make rigorous efforts" to seek out and aid qualified youths of exceptional financial need and encourage them to continue their education at the postsecondary level. Postsecondary institutions cooperate with secondary schools and make conditional commitments of financial aid to qualified secondary school students. In order to expand postsecondary educational opportunity for adults, a provision should be added to the Supplemental Grant Program, paralleling that for qualified secondary school students. Such a provision should require institutions to "make rigorous efforts" to identify and aid qualified persons of any age, who are of exceptional financial need, and encourage them to continue their education at the postsecondary level.
>
> To accommodate new types of students, institutional flexibility and capacity to treat differently situated students must be increased. This could be accomplished by authorizing institutions to make Supplemental Grants to less than half-time students.

The second way that the Regents propose to help less than half-time students is by making them eligible for loans under the Federal guaranteed loan programs. I will discuss later some possible ways that loans might feasibly be made available to less than half-time students.

A third approach to meeting the needs of such students would be through inclusion of part-time study in any Tuition Tax Credit adopted by the Congress. The Regents have presented a detailed Tax Credit plan that "would be applicable to both full-time and part-time attendance." It is worth noting that the Regents position is broader than the provisions in the Tuition Tax Credit Act of 1978 which provided coverage for full and half-time students only. Even so, in the version that was not enacted in the last session because of lack of time, the coverage for half-time students was postponed. We recognize that this Subcommittee has not favored tax credits, but if a plan is again considered by Congress, it should, at least, include all part-time students.

In supporting their recommendations for less than half-time aid, the Regents state that "these students, particularly adult learners with other responsibilities, are unable to commit larger shares of their time to education. These persons might be denied postsecondary educational opportunity if Federal assistance were not provided."

I would like to expand on these reasons with material from the study we did on

Financial Aid and the Adult Learner: Federal and New York State Student Aid Programs. The work on the study was done by my associate, Robert Purga, with support from the College Board. Attached is a summary of the study.

The first point to be noted is that part-time students generally have less access to aid than full-time students. Only a few states provide aid to such students, and even New York with its generous grant programs has not yet extended aid to half-time students, although the Regents this year proposed such action to the Legislature. The less than half-time student is currently ineligible for any aid -- State or Federal. We estimate that in New York alone there are 55,000 such students at the present time and they will increase to 61,000 in 1990.

The first question, of course, is -- is there a need for aid to less than half-time students?

It is argued that the exclusion of part-time students is justified because they are less committed or have less "financial need" than traditional students with heavier course loads. Yet studies show that time demands of family and work responsibilities prevent many adults from studying at even half-time levels and that those who do increase their credit load to become eligible for aid are often over committed. Part-time students are not simply traditional students with lighter loads, but are older, busier, and facing real barriers to furthering their education. They must also meet the same academic standards as full-time students.

James L. Bowman of Educational Testing Service points out that a showing of "commitment" -- of being "genuinely interested" in seeking education -- is rarely asked of students who enter college directly from high school.

While it does take longer for a part-time student to complete a degree and a number do drop out, the cost of education is cited by part-time students as a major reason for delaying or terminating their education. That many "traditional" full-time students fail to complete degrees is seldom used as an argument for withholding aid from all full-time students showing "financial need". The same concern for helping traditional, disadvantaged, full-time students should be extended to disadvantaged part-timers.

As to the "financial need" of part-time students, there is no reason, in principle, to use attendance status as a basis for determining "financial need." A part-time student pays less tuition and this factor is taken into account in the need calculation. Furthermore, a student's ability to pay and the number of credit-hours taken are not perfectly correlated. A part-time student can show greater "need" than a full-time student, and a less-than-half-time student more than one attending half-time or more. The major point is that need and not number of credits should be the primary determinant of aid.

Several categories of persons would benefit particularly from less than half-time aid. The first are those individuals who now take a half-time load in order to be eligible for aid but who would prefer to take lighter loads in order to accommodate their study to other demands on their lives and energy. We are told that many part-time students are in this situation. They are disadvantaged adults who have been out of school for some time, have job or family responsibilities, and do want to study but have difficulty keeping up with the demands of even a six-hour program. Aid for less than six hours would help such students adjust to the rigors of collegiate study and might reduce the rate of noncompletion in such groups.

The second category that would benefit are the counterparts of the first group -- persons similarly situated who decided not to make their try at half-time study and lack the resources to start on their own with a lighter load. Half-time aid would enable such persons to enter postsecondary study under more favorable circumstances and move gradually to heavier loads as they gain confidence in their own capacities and learn how to manage their many responsibilities.

Aid to less than half-time students would help particularly women and minorities who tend more to study part-time. Last year in New York women were just under half of the total undergraduates but were almost 55% of the part timers. Blacks and Hispanics made up 16% of the full-time undergraduates and nearly 19% of the part-timers. Access to less than half-time aid could help many more persons from these groups get a start in postsecondary study, and would be a further step in promoting the national goal of equal opportunity for women and minorities.

I have mentioned several times that many of the persons who studly less than half-time are workers. This fact leads some to argue that such persons do not need aid because they either have access to employee education benefits or should be able to afford the "modest" costs of less than half-time study.

While figures on the overall numbers of employees who have education benefits are not good, a reasonable estimate is that about half of employed persons have such benefits. These tend to be persons in larger, more stable enterprises with higher levels of salary. The persons most in need of further education to improve their employment prospects are least likely to have education benefits and they are most likely to be in lower paying jobs that leave them with few resources to cover any educational expenses. It is increasingly the case today that people with better jobs also have the most access to education as a result of their jobs. Thus, without some special effort, the gap between the educational haves and havenots in our society will continue to grow.

Even for those workers with educational benefits, nearly 80% of the employers require satisfactory course completion for reimbursement of tuition paid by the employee. This is a key factor in keeping the utilization rate of these employee benefits under 5%.

It should also be noted that taking even a single course can entail considerable expense. The average cost for three credits in a private college is about $300. While lower in public institutions, it is rising and every increase hits the part-time student hardest since he/she receives no compensating aid.

Less than half-time aid will have institutional benefits also. In response to the demands of society for higher education opportunities for youth in the fifties and sixties, postsecondary educational institutions expanded rapidly. Now, as you well know, we are faced with a period of decline of full-time traditional undergraduate enrollments. Yet, the capacity built to meet the previous demand remains. Institutions throughout the country have begun to adapt this vast resource to meet the needs of adult learners. They have been reducing the barriers of location, time, and content by offering courses at places and times convenient for adults and on subjects that address adult needs, interests and preferred methods of study. Cost remains a barrier to the full utilization of this resource.

Problems with SEOG

Because each category of student presents circumstances that are highly individual, the Regents believe it is best that decisions on aid to such students be made primarily at the campus level. For this reason, extension of SEOG to less than half-time students is the Regents preferred option at this time. If your Committee accepts this recommendation, you should take note of certain features of SEOG that, if left in their present form, would reduce the effectiveness of the basic change. These are:

1. Determination of need --

Under the present formulas used in SEOG to determine need, independent students are not treated equitably. The "Uniform Methodology" should be liberalized at least to parallel the changes made in the Middle Income Student Assistance Act for BEOG. Even the liberalization of the needs formulas in MISAA leaves the independent student at a disadvantage. The disparity in the assessment of income for independent and dependent students has been widened. While the contribution expected from dependent students is now 10.5%, the independent student is expected to provide 75% of income if single; 50% if married with no dependents other than spouse; and 40% if there are other dependents. MISAA does equalize the treatment of assets for independent and dependent students. The Regents propose going a step further by excluding assets completely. They also propose that allowances for other family members in secondary education should be increased. One reasonable step would be, in all need calculations, to liberalize the credit for all family members who are studying.

2. $200 minimum award —

If awards are made for less than half-time study, the $200 minimum could, in many situations, cancel the award.

3. Institutional discretion —

Institutions have discretion as to whether or not to apply for SEOG funds at all and how much to request. Many colleges, particularly community colleges, do not request all of the funds to which they are entitled by the allotment formulas. This is critical for adult learners, since they are heavily concentrated in community colleges and must compete for the limited aid with "traditional" dependent students -- students who can more easily demonstrate "financial need" under current methods of need analysis.

More importantly, as Lawrence Gladieux of the College Board points out, such underparticipation in aid programs in not the result of the application, state allotment, or institutional allocation procedures by which the campus-based funds are distributed. "Instead, he says, "the explanation seems to rest with the community colleges themselves." There are a number of reasons, including the lack of matching funds, administrative understaffing, and, the most difficult to detect, a lack of perception of student financial needs. Because of their low tuition charges, many community colleges may tend to think that part-time students -- particularly adults -- have little or no financial need. Yet, even when tuition charges are low, the student still must finance other costs associated with attending college even on a commuting, part-time basis -- commuting expenses, books, supplies, and fees.

Thus, adult learners with substantial need may be effectively denied the opportunity for Federal campus-based aid simply because institutions underestimate the actual costs of attendance and either do not apply for Federal aid or under-request funds when they do.

A separate, though related, issue is how the institutions distribute the aid that they actually receive. Federal regulations give institutions a wide range of discretion in determining which students will be selected from a pool of "eligibles" and provided with aid. Since institutions usually do not have enough funds to aid all students with "need," they limit such awards to full-time students. Two factors seem to influence this decision.

The first is an assumption that students who study part-time are less committed to education than are full-time students. Such an assumption is completely unfair to the thousands of serious part-timers and it does result in lower access to aid regardless of demonstrated "financial need".

The second factor is the assumption by aid administrators that many adults have access to alternative sources of funds with the clear implication than adult students -- full-time or part-time -- do not really need the aid as much as younger students, in spite of results of the need analysis.

The Regents sought to address this issue of institutional discretion by proposing that institutions be required to "make rigorous efforts" to serve persons of any age who have exceptional financial need. An institution that is concerned with its community service role should be able to explain how it has allocated its aid funds among the various groups it serves.

Loans for Less than Half-Time Students

Extended grant aid would meet only part of the financial aid requirements of the least affluent less than half-time adult students and would not help at all the student who does not qualify for aid but cannot make the lump-sum payment required at registration. For these reasons, the Regents have recommended extension of the loan programs to less than half-time students.

Moreover, the complexities, confusion and inequities of the present loan programs for full-time students create even greater barriers for adults. Therefore, the Regents recommend:

> . . . consolidation of the Guaranteed Student Loan Program and the campus-based National Direct Student Loan program. The recommended consolidation system provides simplification for students. Past loans may be consolidated and interest rates equalized. The system assures that those most in need will receive loan assistance, while it permits the program to accommodate adult learners unable to commit large shares of their time to post-secondary education. This consolidation system also allows for expansion of loan funds by making the full market value of notes available to institutions. Institutional capital now tied up in the NDSL fund would be freed under the plan since the Federal share of the fund would operate as a one-time restricted grant to the institution. The postsecondary institution then would determine whether to use such funds in its loan program or that of a financial institution or state loan agency. More effective administration would be achieved through consolidation by retaining the GSLP administrative powers for state loan agencies, financial institutions, and postsecondary institutions and by restricting the marketing of notes to the amount needed for new loans for the current academic year.

Even with these adjustments, there will be problems for disadvantaged adults in obtaining loans. In practice, in many states, banks, credit unions and other eligible lenders in the GSL program set aside a limited amount of funds to be used for student loans. The disadvantaged adult, or the adult requesting a small, short-term loan, may find it difficult to obtain a loan. The problem has become more important as tightened Federal Reserve discount rates have made lenders increasingly reluctant to make the loans at all. Special measures will, therefore, be necessary to insure that loans are available to less than half-time students on an equitable basis.

In New York, because of a strong State loan program, most borrowers are able to get loans, which shows that it is possible to serve part-time students. One step that might be considered, particularly to meet the cash flow problems of the part-time student, would be to encourage all institutions to do what some now do--put tuition payments on a deferred payment basis. Payment could then be made in small monthly installments, just like any other family installment purchase. Federal encouragement could take the form of extending loan guarantees to cover installment-type loans in addition to those on which payment is deferred until program completion.

Conclusion

In conclusion, Mr. Chairman, we are pleased that you have chosen to focus attention at this hearing on one segment of the adult student population. Adult learners are becoming an increasingly important part of the clientele of all educational institutions. This growth in participation of adults in learning activities is contributing to the economic strength and well being of our nation. It is assuring that the rich resource represented by our postsecondary institutions, developed at great public and private cost, will continue to serve the people of this nation. Just as we developed our great financial aid system to insure equity of access for the high school graduates, so now it is appropriate to provide the means to insure that equity will prevail throughout the lives of individuals.

You will undoubtedly hear arguments that, in the order of priorities for the expenditure of scarce public funds, the less than half-time adult students stand too low for consideration at this time. Making a judgment as to the relative need and merit of a full-time eighteen year old with no clear purpose and no family obligations, and a 30-year-old working mother who wants to improve her economic status by studying part-time, is no easy task. It is not one that government should have to make. As you consider the student financial aid system for the eighties, it may be timely to look beyond the patching and fine-tuning of a system basically designed for another time and purpose.

May I respectfully commend for your consideration, the exploration of a financial aid system that would be appropriate for the kind of learning society that we are becoming, one that would treat persons of all ages and circumstances equitably and that would give to the individual adult learner the primary decision on when, what, and where he or she will study.

Finally, it is important to note that finances are not the only barriers to adult participation in education. There are information and other barriers that also need to be addressed. As you consider other parts of the Higher Education Act, we urge that support be provided for Education Information Centers and for further research and development on adult learners.

Mr. Chairman, I thank you for this opportunity to present these throughts and hope that they will be helpful to the Committee in your deliberations.

TESTIMONY

on

FEDERAL ASSISTANCE FOR LESS-THAN-HALF-TIME STUDENTS

to the

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

UNITED STATES HOUSE OF REPRESENTATIVES

May 9, 1979

by

American Association of Community and Junior Colleges
American Association of State Colleges and Universities
American Council on Education
Association of Catholic Colleges and Universities
Association of Community College Trustees
National Association of State Universities and Land-Grant Colleges
National University Extension Association

Presented by

Jerold Roschwalb
Director
Office of Governmental Relations/Higher Education
National Association of State Universities and Land-Grant Colleges

Mr. Chairman and members of the Subcommittee, my name is Jerold Roschwalb. I am the Director of Governmental Relations for the National Association of State Universities and Land-Grant Colleges. I am privileged to be here this morning to present the views of the associations listed on the front page of this testimony. This document for the record responds to the question you have set before us: Should students enrolled for less-than-half-time course loads be eligible for participation in federal student assistance programs?

Our answer to that question is an emphatic YES! In the pages that follow, we present our specific recommendations for amendments to the Higher Education Act of 1965, as amended, that we believe would be an appropriate response by the 96th Congress toward dealing with the changed circumstances and constituencies in higher education enrollment. Following that, we will present the statistical information and arguments that lie behind our specific recommendations, and finally, we will comment briefly on various aspects of our recommendations, questions they have raised and implications for student assistance programs in the future.

Our recommendations may be summarized as follows:

1. The Supplementary Education Opportunity Grant (SEOG) program, now restricted to students enrolled at least on a half-time basis, should be modified to permit institutions of post-secondary education to award grant aid to students enrolled for less-than-half-time credit.

2. Since numerous institutions that serve a part-time student body have small or inadequate amounts of SEOG funds in order to extend grants to this new constituency, we recommend that an institution may be permitted to transfer up to 10 percent of either its annual College/Work-Study or NDSL funds, or both, (in addition to funds the institution is now permitted

to transfer) to the SEOG program for the express purpose of making grants to less-than-half-time students.

3. The amount of an institution's annual allocation of SEOG funds (including funds it transfers to SEOG from the other two campus-based programs) to be used for less-than-half-time students shall be determined by the institution's officials. We recommend that there be no restriction on the institution regarding the total percentage of funds it may use for the newly eligible constituency, nor that any institution be required to designate any amount of such funds for this constitucncy.

4. A grant to a less-than-half-time student should not exceed 75 percent of the total amount of the education-related costs to the student for the semester or the quarter of the grant. Each student receiving the grant should be required to contribute no less than 25 percent of the education-related costs, such sums to be derived from sources other than direct grants under Title IV of the Higher Education Act. (Education-related costs should consist of tuition, fees, books, equipment, transportation and child care expenses. They should not include usual living expenses such as room and board.)

5. The total amount of a grant in any semester, quarter, or comparable school-year period should not exceed the total amount proportionate to full-time or half-time ceilings on awards. But the amount of the award may be less than $200, the minimum now required in Section 413(B)(a)(2)B.

6. No student should receive more SEOG grant support cumulatively than he or she would as a full-time or part-time student.

7. The SSIG program should be amended to permit states to make grants to less-than-half-time students.

8. Eligibility for grants shall be determined by the institution's

officials on the basis of need. Need for each student shall be determined by the institution's student assistance officers on the basis of standards established by the institution, generally in keeping with the standards established for the full-time and half-time recipient.

9. We stress that the amendments in the law we seek should be fully permissive with regard to participation by institutions. No institution should be mandated to participate in the program notwithstanding the percentage of less-than-half-time students it enrolls.

(The specific language changes in existing law needed to effect these recommendations have been submitted to the Committee, in response to your gracious request for recommendations from members of the higher education community. They are contained in the proposals submitted by the American Council on Education and the proposals submitted by the National University Extension Association. While there are some differences in the two proposals, the goals are identical.)

In summary, Mr. Chairman and members of the Subcommittee, we take note of the extraordinary changes in enrollment patterns in our nation's colleges and universities that have taken place over the last decade. We note, too, that increasing numbers of students are enrolled for less-than-half-time course loads and, therefore, are declared by existing law ineligible to participate in any federal student assistance programs. While our information is not definitive, we have enough data, delineated below, to show that a very substantial number of less-than-half-time students are in dire fiscal straits and need some grant assistance. Our proposal takes into account the fiscal circumstances of the nation in 1979 and perhaps for several years to come, keeps in mind the plethora of complex regulations that plague all sectors of America's society today, and seeks to respond to the needs of less than half-time students in the simplest, least costly manner possible.

Permit me to draw a statistical picture of the enrollment circumstances that lie behind our recommendation.

A. According to Bureau of the Census figures, as of the spring of 1976, the total enrollment of approximately 10 million students, only 51 percent of the enrollment was comprised of 18-24 year old dependent children. 44 percent of total college enrollment was comprised of heads of households or a spouse. 5 percent of the total was made up of other family members.

B. Preliminary data dated January 1979 from the National Center for Educational Statistics show a total enrollment for all institutions of 11.35 million students. 41 percent of these students are enrolled on a part-time basis. (These figures include graduate enrollment but exclude vocational training and proprietary students.) As would have been expected, there is a heavy concentration of part-time students in two-year colleges. The enrollment of two-year colleges is 39 percent full-time and 61 percent part-time. Nevertheless, only 36 percent of part-time students in the nation attend two-year institutions. In universities 26 percent of the students are part-time, comprising 25 percent of the total part-time student body, and in four year colleges 32 percent of the student enrollment is part-time, comprising 39 percent of the total part-time student body in the nation.

C. Adjusting the above figures, we have 11.3 million enrolled of which 4.7 million (41 percent) are part-time. Restricting data to degree-credit students we find approximately 10 million of which approximately 3 million are part-time. Of the 3 million approximately 60 percent are more than half-time. Therefore, the group whose concerns we are addressing today is approximately 1.2-1.5 million in number. A most conservative figure would eliminate graduate students and, therefore, deal with an approximate total of 1.2 million students or 12 percent of the total enrollment of degree-credit students in the nation.

D. Available data indicates that family incomes of part-time students parallel closely the family incomes of the college population generally. Students from families with annual incomes of less than $10,000 represent about one-quarter of all students. Applying the current standard for eligibility for the SEOG program, we estimate that approximately 300,000 less-than-half-time students currently enrolled in colleges and universities for degree credits would be technically eligible for SEOG support. Though it may be obvious, we stress here that these students would become eligible for consideration for a grant; none would be entitled to a grant.

It is important to emphasize here that our recommendation does not mandate any redistribution of existing dollars to students by the institution, but as additional funds in the SEOG program become available, by the changing nature of the student body and increases in other programs, SEOG funds may be expended for less than half-time students at the discretion of the institution.

Mr. Chairman, what the statistics above tell us among other things is that if until recently "college student" has meant high school graduates 18-24 years old, who go to school full-time or at least half-time, this is no longer true. To be certain, the "traditional" student still dominates, and there are hundreds of institutions that for decades have catered to the traditional student that should continue to do so and refuse to distort their special contribution to American academic life. There are also, however, institutions that cater almost wholly to a "non-traditional" student body, and increasing numbers of institutions that have adapted their academic programs to continue their traditional programs and concomitantly provide educational opportunities to new constituencies of students.

Lest it be thought that this phenomenon is a public higher education activity, we need only to look at the institutions of this city. Schools such as George Washington University, Georgetown University, Catholic University have classrooms filled until the late hours of the evening, on weekends, twelve months of the year, with students of all ages seeking education for all kinds of positive reasons. In many of the nation's great metropolises, there are private urban institutions whose continuing education programs rival those of any public institution in the vicinity.

It is to the credit of this committee and the Congress as a whole that it has been responsive to the changes in the nature of the nation's post-secondary education institutions. Amendments enacted only last year to the Middle Income Student Assistance Act improved the standards for independent students attending more than half-time. These students, legitimate heads of households frequently with families of their own, had been bearing a comparatively inequitable burden of their educational costs when compared with dependent students.

There still is the need to enable independent students and part-time but more than half-time students to have a completely even break with their more fortunate brethren who are able to attend on a full-time basis. The one area of potential eligibles not yet addressed by the Congress is the group referred to as "less than half-time" students.

If we consider the amount of federal student aid flowing to students from families of less than $10,000 annual income, enabling many to enroll in colleges and universities on a full-time or half-time basis, and then consider the number of students from families earning less than $10,000 annually who are receiving no assistance whatsoever from the federal government and still are enrolled in post-secondary education, one must realize the dedication and determination of this particular group of students. There may be a paucity of data regarding the various constituencies comprising the student body of post-secondary education today, but available data do show, not surprisingly, that the completion rate in courses enrolled in by part-time students is higher than for full-time students. When one is earning less than $10,000 annually and trying to support a family and drawing however small an amount of money from that income to help defray educational costs, that education becomes a very serious business indeed. Contrary to popular notions that adult learners taking a course or two are merely self-indulgent "self-improvers," the record suggests that this is a student body worth investing in.

(Those of us attending undergraduate colleges in the mid-50's will recall the almost nostalgic reveries of faculty members who cited as exemplary those extraordinary classes composed in part of ex-GI's who had lost years of their lives in World War II and who came to classrooms prepared to work with greater intensity than faculty had noted earlier in "normal" students. By any economic, social or educational measure the GI Bill has been one of this country's great investments by the citizenry in itself, matched only perhaps by the historic land-grant college movement, in which a hard-nosed business-minded nation recognized the extraordinary returns gained from investing in education.)

What kind of profile can we draw for the constituency of less-than-half-time students? For purposes of federal assistance programs we need focus only on those who might be eligible for grant assistance, the hardest pressed financially, the lowest quarter in income. They are varied, but to a great degree they are comprised of divorced and widowed women frequently responsible for supporting children. They seek education and training to prepare themselves for work rather than seeking welfare assistance. They are people in their 30's and 40's working in fields where employment opportunities are declining, and if they are to continue supporting themselves and their families they must train for new careers. A substantial number are women whose children are grown but not yet financially independent. Many of these women interrupted their education to be homemakers and spend their time rearing families. They now want to and frequently must enter the labor force but need training before they can do so. Another large number have no dramatic backgrounds. They simply are citizens who seek training for new and better careers believing correctly that this nation still remains one of opportunity. We would be remiss if in emphasizing the more dramatic members of the less-than-half-time constituency we neglected to note that a substantial number of them are 18-24 year olds. Their obligations require them to work and contribute to their own or their family's budgets and, therefore, even if they are eligible for large amounts of financial assistance were they to attend school for a greater number of credits, they are not free to do so.

It has been pointed out by students of federal financial aid programs that if our recommendations were to prove acceptable to the Congress and enacted in the next series of amendments to the Higher Education Act and if financial aid officers given the responsibility for determining to whom among less-than-half-time students to distribute SEOG support did so while abiding by the letter and spirit of the SEOG program as presently administered, the most likely person to receive such an award would be a mother of small children, either widowed or divorced, who was seeking to support her family on an income of less than $10,000 annually. This would be one of the by-products of including child care as a legitimate educational expense, something we believe the nation is prepared to undertake in its next stage of legislating assistance for needy students.

While we lack absolute data, our experience coupled with anecdotal information indicates that the less than half-time student body in the nation is disproportionately female, poor, laborers as opposed to professional employees, and comprised heavily of members of minority groups. While federal student aid is thought of as providing educational opportunity, as indeed it does, it also has been primarily one of the nation's finest mechanisms for creating equal opportunity, the nation's own affirmative action plan realized. Assisting the less-than-half-time student would move that affirmative action one step further.

Because we are accustomed to thinking of students whose costs of education range anywhere from $2500 in 4-year public institutions to beyond $8,000 in the most costly independent institutions, we overlook the extraordinary impact comparatively small sums of money may have on the constituency on whose behalf we speak this morning. Operating with an annual income of $10,000 and trying to support a family of four, may make even $100 for education costs as unreasonable as an amount many times that sum. If 300,000 students in this category are attending without assistance, it would be important to see how many such adults would enroll in part-time study if even small amounts of grant aid were made available.

There are other organizations, some organized specifically to work in behalf of adult students who will argue for greater change in the law than does this testimony. And indeed, we believe the call for more studies of all aspects of adult learners is very much in order. Who are they? What are their needs--educational and financial? How can they best be assisted? What forms of assistance are most appropriate? These are only some of the questions that are not yet answered. Moreover, we need to understand better what kinds of information adult learners need from institutions and from agencies seeking to assist them. This Congress may wish to consider how the nation may respond to its best interests by assisting this increasingly large number of citizens.

The matter of supporting less-than-half-time students has come up in forums for discussion for the past year. There are probably few persons engaged in any aspect of higher education governmental relations who have not heard recently some "Let them eat cake" response when the subject of supporting this group of students arises. The argument generally goes as follows: "You are talking about people who generally earn their own living. Since they do have income, it really isn't too much to expect them to put aside a small amount of those dollars that would enable them to pay for the expenses of going to college."

Such statements fail to take into account some elements of reality. As already noted, this student generally is an adult who is earning his or her own keep. A large number of them are people who would have welcomed the opportunity of attending college when they graduated from high school, but for a number of reasons, not the least of which were the absence of federal student assistance programs until very recently, their financial circumstances required that they go to work. They have worked and they have paid their taxes. A portion of their taxes has been used to send other people's children to college because they could not afford to do so otherwise. This is quite right. But in terms of equity, they ask now just when does their time come? Surely that argument is correct for the wage-earner whose income does permit him or her to spend a small amount on education. Our concern is solely with those students who simply because of lack of funds cannot participate in educational opportunities or who can do so only as a result of inordinate and unfair financial sacrifice on their part. We cannot accept the Orwellian logic that sees American higher education as that classic "animal farm" in which some animals are more equal than others.

We are aware, too, from conversations with our colleagues in the Office of Education that they would recommend against extending eligibility to less-than-half-time students. We believe that the basis for this lies in their desire to simplify existing federal student aid programs rather than complicate them. We agree with their aims and that is why our recommendations take the form they do. Because of the simplicity with which this aspect of the SEOG program would operate, there would be a minimal amount of additional paperwork and, therefore, a minimal amount of increased administrative cost either in USOE or in educational institutions. Other than modifying their regulations to recognize the extension of eligibility to less-than-half-time students, the Office of Education, blessedly would not have to issue convoluted, complex and costly to implement regulations.

Institutions of higher education and their student financial aid officers have a laudable record in the administration of campus-based programs. Institution officials would determine whether they wished to undertake the additional cost of administering this program, depending on their philosophy of service, the nature of the student body and other reasons. They would be loath to dissipate small sums of money on students who ere not genuinely needy and who were not genuinely serious in their quest for education. Further, no additional sums would be required to be appropriated by Congress for this program within the period of authorization of the bill enacted by the 96th Congress. Institutions would receive their annual allocations based on the rules existing in a given year. The program would be wholly permissive. The participating institutions would have every reason to make certain that no unfair advantages were taken of the program and probabilities of this occurring are extremely small.

In sum, Mr. Chairman, we are recommending that the Committee answer the question you posed affirmatively, that you do so in the simplest manner possible, extending eligibility for this group of students over the next few years to make it much more clear how many such students there are, what the varieties of their needs are, how their needs can best be served. On the basis of this experience, it should be possible to consider a broader program for less-than-half-time students the next time the legislation comes up for reauthorization if the facts direct the Congress to such an objective. Mr. Chairman and members of the Subcommittee, we are grateful for the opportunity of presenting our views. We would be pleased to try to respond to your questions and comments.

STATEMENT OF DR. ROBERT SEXTON
GENERAL SECRETARY
COALITION FOR ALTERNATIVES IN POSTSECONDARY EDUCATION

ON THE ISSUE OF

ACCESS TO FEDERAL FINANCIAL ASSISTANCE FOR THE
LESS-THAN-HALF-TIME STUDENT

BEFORE THE
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

MAY 9, 1979

Mr. Chairman and members of the Committee, my name is Robert Sexton. I am Associate Dean of Undergraduate Studies and Director of the Office of Experiential Education of the University of Kentucky, and I currently have the pleasure of serving as General Secretary of the Coalition for Alternatives in Postsecondary Education. It is in this latter capacity that I appear before you today.

The Coalition consists of a broad spectrum of organizations which themselves represent individuals and institutions concerned with opportunities and equity for the adult, part-time and non-traditional student. The participating organizations of the Coalition are the American Society for Training and Development; Association for Innovation in Higher Education; Clearinghouse of Community Based Free-Standing Educational Institutions; Council for the Advancement of Experiential Learning; Free University Network; Interversitas; National Center for Educational Brokering; National Manpower Institute; National Society for Internships and Experiential Education; Union for Experimenting Colleges and Universities; and the Urban Corps National Association. Associated with the Coalition are the

American Association for Higher Education; the College Board; Educational Testing Service; National Commission for Cooperative Education; and the Office on Educational Credit of the American Council on Education.

Mr. Chairman, the Coalition for Alternatives in Postsecondary Education is grateful to you for the opportunity to participate in today's panel discussion of how the less-than-half-time student should be treated within the context of the range of Federal student financial assistance programs authorized under Title IV of the Higher Education Act of 1965.

In February, in response to your invitation, we provided you with our formal suggestions for amendments to the student aid programs. Those recommendations represent what believe -- and I am speaking for our participating institutions and organizations which daily serve many thousands of these students -- is the only fundamentally fair and equitable way to respond to the demand for equity in access to American postsecondary education.

You have those proposals, and for the sake of brevity, I will not reiterate their details. Very generally, we recommend that the student financial assistance programs under Title IV be uniformly amended to eliminate the half-time requirement for student eligibility. I would like to describe the principles upon which those proposals were constructed, and provide you with a framework through which you might examine our proposals and those of our friends in the higher education community. We have prepared, and will submit for the record, a summary of those proposals.

Our basic premise is very simple: every student who is in need of financial assistance to enter upon, continue or complete his or her postsecondary education should have access to the support necessary to accomplish that goal, without regard to the intensity of enrollment, type of institution or mode of instruction. We believe that this is not merely a utopian ideal. Rather, it should represent a goal towards which this nation -- as a nation of learners -- must be prepared to move.

But we recognize that there are constraints which limit the ability of this Congress and this nation to achieve such a goal, no matter how laudable. There are budgetary limitations which in the short term probably do make it impossible to meet the financial need of every student. There are bona fide administrative considerations which we are told make it very difficult to construct the mechanisms to achieve such a flexible system. There remains the strong tendency, whenever the higher education community analyzes any student aid proposal, to examine it in terms of its effects on the institutions rather than on the students.

We are painfully aware that the best can be the enemy of the good; that an insistence that perfect justice and total equity must be reached in a single bound may preclude even that first, necessarily imperfect step towards a more just, more equitable aid system.

Bearing all these things in mind, our position can be reduced to three premises:

First, it is the function of a student aid system to make a better postsecondary education available to more people, rather than to preserve a given structure or pre-ordain its participants.

Second, in hard practical terms, the search for equity within the limits of the present practical considerations requires us to design a system which will best serve the majority of present day learners.

Third, and here we come to the true heart of the issue, that present majority _is_ the part-time, older, what we euphemistically if no longer correctly call the "non-traditional" student.

Mr. Chairman, the perceptions which in the past have prevented serious consideration of eliminating the barriers imposed by present law to the equality of the non-traditional student are no longer valid, since the body of learners who populate American postsecondary education has so radically changed its shape in the years just passed.

Three years ago, this Committee, it its report to the HOuse on the Education Amendments of 1976, said"

"The 'typical student' is no longer young, no longer full-time, no longer just out of high school, no longer a stranger to the world of work, no longer necessarily seeking either a set of skills no an educational credential. And to be certain, he is no longer overwhelmingly 'he'."

And in the three years since, no one has been more eloquent and more consistent in pointing out this fact to an educational community that has only dimly perceived it, than you, Mr. Chairman.

You have convinced us that we cannot continue with the pleasant fiction that the billions of dollars committed to student financial assistance ought to be cannelled almost entirely to a student cohort of decades past.

Let me hasten to note that the Coalition is in no way seeking to reverse what has been the discrimination visited upon part-time and otherwise non-traditional students, and instead deprive full-time students of their due. On the contrary, we believe that demonstrable need must continue to be the basis upon which aid is meted out, and we likewise realize that full-time students are likely to be those with the greatest individual need. Certainly, many part-time students and indeed perhaps most less-than-half-time learners will not be able to demonstrate financial need to the same extent as their full-time colleagues. And the educational costs -- at a given point in time -- will certainly be greater for the full-time student. It therefore inevitably arises from these considerations that the bulk of student financial assistance -- especially grant assistance -- will and should go to the full-time student of proven financial need.

But the less-than-half-time student who does demonstrate need must not be excluded simply because of his or her enrollment status. A student whose enrollment or program does not fit neatly into the "right" category; a student who is learning through an alternative process -- none of these should be denied assistance. Access to aid programs ought not be barred because of the law's nostalgia for the day when college students were primarily adolescents.

We do not, Mr. Chairman, oppose the concept of a step-by-step approach towards achieving the impartial and equitable treatment of this new majority. An incremental improvement in the present system is certainly not in and of itself objectionable to the Coalition. Gradualism, half-a-loaf -- however you wish to characterize it, can be accepted with enthusiasm, if and only if the steps are in the right direction. But proposals to "meet the problem of the part-time student" which begin from the premise that the student is the problem, and that the desired end result is to encourage or persuade that student back into the "traditional" image, are not steps in the right direction, and they fail -- for more profound reasons than their gradual nature.

This nation does not need a pilot program to ascertain whether less-than-half-time students require equity, nor should the institutions be restrained from applying aid resources where the needs of their students dictate. If one accepts the premise that equity requires equal treatment for the less-than-half-time students, then we argue that the barriers must be lowered in more than a token sense.

Our initial analyses of the economic impact of opening the aid programs to less-than-half-time students do not indicate that they would entail the appropriation of vast new sums of money. As I mentioned a few moments ago, the demonstrable need of the less-than-half-time student is likely to be far less than his or her full-time counterpart. But that need is nonetheless real, and the institutions should have the tools available to meet it, and to serve the interests of that student with the full range of assistance programs, in the same way as the full-time or more-than-half-time student.

If there is to be any significant impact resulting from an elimination of discrimination against the less-than-half-time student, we believe it will be in terms of a shift of students -- and therefore resources -- from those institutions which choose not to respond to the needs of the new majority, to others which are effective and responsive in doing so. But we also believe that these shifts are likely to be the result of new students coming into the academic marketplace, students who are presently excluded by virtue of their inability to receive necessary aid.

In the final analysis, Title IV is student aid, and it must deal with the needs and priorities of today's students. We do not oppose partial steps towards total equity. We stand ready to accept the good, as progress towards the best. But we must not lose sight of the goal. We urge you to seek a solution which effectively strikes at the present discrimination.

APPENDIX TO STATEMENT OF DR. ROBERT SEXTON
GENERAL SECRETARY
COALITION FOR ALTERNATIVES IN POSTSECONDARY EDUCATION

Let me summarize, for the record, Mr. Chairman, the specific amendments to Title IV which the Coalition believes constitutes the kind of cleaning up of the Title which would best serve the needs of the new typical student. These recommendations were transmitted previously in our submission of February 15 and incorporated in your subsequent committee print.

1. Strike the provisions barring less-than-half-time students from participating in BEOG, SEOG, SSIG, GSL, NDSL and CWS.

2. Strike minimum grant provisions in BEOG and SEOG.

3. Require BEOG grants to be apportioned in direct proportion to the intensity of enrollment.

4. In opening the loan programs to less-than-half-time students, retain provisions providing for repayment during periods when enrollment status is less-than-half-time.

We also recommend adjustment in the state apportionment formuli to comport with bringing the less-than-half-time student into the mainstream of aid programs. We also recommend extension of the student information programs to reach prospective less-than-half-time studenst, and to provide for assistance for a wider range of academic offerings.

The full text of our narrative discussion of these issues follows.

The Higher Education Act, and the regulations which stem from it, reflect a degree of indecision with regard to the student who is utilizing the educational process at less than the "traditional" intensity; or in other than traditional forms.

For example, Sec. 131 of the Act contains an unequivocal statement of the public policy of the United States, when it states that the American people "need lifelong learning" and that "American society should have as a goal the availability of appropriate opportunities for lifelong learning for all its citizens without regard to restrictions of previous education...or economic circumstances."

We understand that the implementation of the programs authorized in other sections of Title I-B has not proceeded because the funds have neither been requested nor appropriated. But this fact does not vitiate the effectiveness of the language of Sec. 131 as a definitive statutory statement which should guide the carrying out of the entire Act.

Notwithstanding such a clear statement of national policy, there remain provisions of the Act which substantially limit access to its programs and benefits to students enrolled on at least a half-time basis; which restrict some programs solely to undergraduates; and which restrict the types of institutions, time periods and learning activities for which benefits may accrue.

We do not suggest that these provisions of law are in irreconcilable conflict. We realize that in interpreting a statute, a specific restriction can legitimately override a more general (but contradictory) statement of general policy. And we are aware of, and in sympathy with, the Administration's austerity program, the budgetary implications of the Middle Income Student Assistance Act, and the difficulties that must arise in trying to mix these disparate elements into a consistent, rationally-structured whole.

So in this paper, we are beginning by suggesting some minimal changes in Title IV of the Act to bring it into fuller consistency with the public policy as enunciated in Sec. 131. Beyond that, where we have suggested, as alternatives, some programs or program considerations which have to be thought of as "new," we have tried to identify them as such. The Administration and the Congress will have to make some difficult choices among equally defensible policy alternatives. But, in order to serve the rapidly growing cohort of part-time and non-traditional students and their needs, we must put these comments and proposals before you.

The legislative and policy changes are described in the body of this paper. As an appendix, we have prepared a draft bill embodying these changes in one possible legislative format. All the footnotes will refer to provisions of the draft bill.

The Existing Federal Financial Aid Effort

Six major student financial aid programs are authorized under Title IV of the Higher Education Act of 1965, as amended: Basic Educational Opportunity Grants (BEOG); Supplemental Educational Opportunity Grants (SEOG); College Work Study (CWS); National Direct Student Loans (NDSL); State Student Incentive Grants (SSIG); and the Guaranteed Student Loan Program (GSL).

Student Eligibility

An eligible student is defined in the General Provisions (Sec. 491 [3] [c] [2]) as one "who attends an institution of higher education at least on a half-time basis..." All six student aid programs thus have the same basic standard of minimum eligibility. In addition, BEOG (Sec. 411 [a] [1]), SEOG (Sec. 413B [b] [1] [A]) and SSIG (Sec. 415C [b] [2]) require that a student be enrolled at the undergraduate level, whereas the remaining programs (CWS, NDSL and GSL) all open to graduate and professional students as well as undergraduate.

It is estimated that half or more of all part-time students are excluded from the student aid programs by virtue of the half-time requirement. Added to this figure must be the number of potential students who have not enrolled in an educational program precisely because of this lack of access to financial assistance. Because students most often have good and valid reasons for limiting the number of courses in which they are enrolled at a given point in time, we recommend that rather than restricting access the half-time eligibility requirement be eliminated and that eligible students be entitled to participate in student aid programs at any enrollment intensity. Specifically, we suggest that Title IV be amended generally, and, where necessary, in regard to particular programs, removing the half-time enrollment requirement for student eligibility,[1] making clear the Commissioner's authority to reduce financial awards in direct proportion to the intensity of the student's enrollment,[2] and specifically permitting him to make less than half-time awards.[3] Parallel amendments are made to the SSIG program.[4]

It should be noted that while we are removing the requirement from the Guaranteed[5] and Direct Student Loan Programs[6] that a student must be half-time or more to qualify for a loan, we would retain the provision under which a student's grace period before repayment would begin to run whe[illegible]r he goes below half-time status. While this would still place less-than-half time students at a slight disadvantage, we believe it avoids possible abuses by which students could permanently defer the payout period, while still serving the goal of opening loan programs to part-time students--for whom, indeed, they may be particularly valuable sources of financial assistance.

The limitation in BEOG, SEOG and SSIG to undergraduate students similarly discriminates against many of the older part-time students, those who are also likely to be making use of non-traditional delivery systems. Changing job and market conditions, technological obsolesence and the return of women to the market place make the need for education beyond the undergraduate level of significant importance. If the purpose of the student aid programs is to enable the learner to be productive in the labor market, then older students returning to obtain needed education and training should have the same opportunity. The restrictions in the three programs against study beyond the undergraduate level should be eliminated.

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[1] Sec. 3(f); Sec. 4; Sec. 5; Sec. 6(b); Sec. 7(b); Sec. 8.
[2] Sec. 2(b).
[3] Sec. 8.
[4] Sec. 4.
[5] Sec. 5(a) and (b)
[6] Sec. 7(b)

We propose amending Title IV to remove the language limiting eligibility to undergraduate students.[7]

Program Eligibility

While the student aid statutes prescribe certain limitations and standards for institutional eligibility, they are altogether silent as to the programs within eligible institutions in which students receiving aid may enroll. Despite this statutory silence (which must be construed to be intentional) OE has promulgated regulations restricting the programs in which students may enroll and be eligible for student financial assistance. (See Secs. 144.2, 176.2 and 190.2(f) of the SFA Regulations.)

The effect of this regulatory exercise is to limit the options available to potential learners to a relatively narrow range of traditional programs. Students who may want or need programs which are more concentrated as to duration or otherwise alternative in delivery may find that such a choice is precluded by the lack of access to financial assistance. Similarly, many learners have found that what they require is a specific educational experience and not necessarily formal academic credits or certificates, and have sought out a wide variety of non-credit postsecondary offerings. Yet the present regulations, without clear authority of law, have precluded this choice.

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[7] Sec. 2(a); Sec. 3(a); 3(b); 3(d); Sec. 4.

As an entitlement program, BEOG in particular should not be restricted to certain types of educational programs. It should be the prerogative of the student (armed with adequate consumer information) to decide from among not only eligible institutions but the widest range of programs within those institutions, as to where the best educational service is to be found and therefore where the entitlement is to be utilized.

We would suggest that Sec. 491(c) (2) be amended to make explicit a student's right to be considered in attendance if he is at an eligible institution, even if he is not in a degree- or occupationally-oriented program, nor in a program conducted in a traditional form.[8]

We have not made suggestions with regard to the language of Sec. 444(b) (2) relating to the eligibility of area vocational schools. On the surface, consistency would seem to suggest that 444(b) (2) should be conformed to the other amendments we are suggesting, and we have no objections in principle to doing this. However, we cannot speak for the area vocational schools, we have not consulted them on this issue, and we do not feel qualified to make a recommendation on this precise situation.

BASIC EDUCATIONAL OPPORTUNITY GRANTS

BEOG is the cornerstone of the Federal financial aid effort, representing the closest thing to an entitlement yet enacted (with the obvious exceptions of Veterans and Social Security benefits). Thus, BEOG provisions which exclude or discriminate against the part-time or non-traditional student must be considered significant impediments to equal access in postsecondary education.

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[8] Sec. 8.

The basic philosophy of the BEOG program towards the independent student is based on the premise that they should contribute a far greater proportion of their current resources and assets towards their postsecondary education than should the families of dependent students (see Proposed Rules, BEOG, 43 F.R.______). While there may be some justification for a higher contribution schedule for the single independent student (since all disposable income and assets could conceivably be thought of as discretionary to the individual), the application of this doctrine to independent students with dependents of their own substantially discriminates against the adult learner's opportunity to participate on an equitable basis in federally-supported st[illegible] programs.

While the Middle Income Assistance Act has dealt with the inequity in the assessment of the assets of independent students with dependents of their own (amending §411[a] [3] [C]), the radical difference in the treatment of discretionary income remains. While the Middle Income Assistance Act limits the assessment of "parental discretionary income" to no more than 10.5%, the Act leaves untouched regulations which require an assessment of the income of independent students at fifty percent for a student with a spouse and no other dependents and forty percent for that student with spouse and other dependents. Thus, a married independent student with children is still expected to contribute from his or her "discretionary" income at a rate four times that of the family of a dependent student.

BEOG-2

This provision reflects a bias that the adult student's desire or need for postsecondary education is somehow less serious, more self-serving and without the same societal value as that of a traditional college age student. Blithely ignoring the fact that an adult may have to make far greater sacrifices to attend school, the present statute allows the government to exclude adult students from the same benefits to which a comparably situated dependent student would be eligible. The adult who may have been deprived of an adequate early education, economically disadvantaged and perhaps discriminated against, and who now seeks to remedy that situation and give his or her own family greater opportunity, finds that with regard to access to financial assistance the law explicitly favors the 18 year old traditional student.

We recommend that Sec. 411(a) (3) (C) be amended to provide that independent students will benefit from the same assessment rate on discretionary income as is levied against "parental" discretionary income.[9] Further, we recommend that the Commissioner identify and eliminate regulatory and administrative policies in all Title IV programs which discriminate against adult learners in the analysis of their financial need.

Minimum Award and Apportionment of Part-Time Awards

Two provisions within the BEOG statute combine to exclude from its benefits a substantial number of present and potential part-time students. The statute provides that a student attending on a less than full time basis shall have his or her BEOG award "reduced in proportion to the degree the student is not so attending on a full time basis" (§411[a] [1]). But instead of a proration of the award on the basis of the proportion less than full time, as clearly was the intent of the Congress, OE has elected to establish a categorical system, based on rigid standards for full, three quarters or half time enrollment. Since a student enrolling in a number of courses above the limit for one level but below the next has his or her award calculated on the basis of the lower category, this system works to the distinct disadvantage of the part-time student. (For example, a student enrolled for eight hours would receive the same award as one enrolled for six, since six hours is the standard for half-time and nine is required for three-quarters.) The financial support provided part-time students has thus been curtailed on behalf of administrative convenience.

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[9] Sec. 2(d).

By adding the word "direct" before "proportion" in §411(a) (2) (A) (ii), the requirement of an exact proration would be clarified and the arbitrary organization of part-time enrollment terminated.[10]

Part-time students are further discriminated against in terms of access to financial assistance by the provision in the BEOG legislation limiting the minimum award for any academic year to $200 (§311 [B] [iii]). The effect of this provision is to deny the part-time student, (for whom an amount less than $200 might well make the difference between being able to continue his or her studies and not) access to the grant to which he or she is entitled. Congress attempted to deal with the inherent inequity of this situation by providing that "pursuant to criteria established by the Commissioner by regulation the institution...may award a basic grant of less than $200 upon determination...that due to exceptional circumstances this reduced grant should be made in order to enable the student to benefit from postsecondary education." But that provision is inadequate, since it puts the burden upon the student to prove "exceptional circumstances" in order to receive his or her entitlement, something the student receiving a grant of $200 or more is not required to undergo. The only possible justification for this provision is that it reduces the administrative workload.

We recommend that division iii of §411(a) (2) (B) be stricken in its entirety.[11]

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[10] Sec. 2(b).

[11] Sec. 2(c).

The same arguments apply with respect to the SEOG program, and we also recommend striking the $200 floor an awards in that program.[12]

Time Limitation

While it is obvious that the part-time student must take more time to achieve an educational objective (such as a degree) than would be the case for a full time student in the same program, the period during which a student may receive both BEOG and SEOG support is based upon a full time schedule. With limited and specialized exceptions, a student has only four years of eligibility for both of these programs (§§411; 413). The discriminatory aspects of this provision are considerable: while a student enrolled in a two year associate degree program may take four years to complete his or her studies, and receive grant support throughout, another student in a bachelor's program loses his or her eligibility after four years of support. While the intent may have been to provide a limited entitlement, the effect is to discriminate against the part-time student, even though the net outlay over a longer period of time may not be significantly different.

We recommend that the time limitation for the utilization of BEOG and SEOG support be eliminated in favor of a satisfactory progress requirement.[13]

Allocation Formulas

With the substantial increase in part-time enrollments, allocation formulas cannot be tied exclusively to full time enrollment figures. While SSIG now reflect these changed circumstances Sec. 415 B(a)(1), NDSL, SEOG and CWSP allocations are still based upon the ratio of full-time enrolled students in a state to the national total. (§462[b] [1]) Such a provision discriminates against the states and the institutions within them which have been successful in serving part-time students, effectively reducing their per capita share of the allocation.

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[12] Sec. 3(c).
[13] Sec. 2(e); Sec. 3(e).

We recommend changing the NDSL, SEOG and CWSP allocation formulas to account for part-time enrollment.[14]

The 1976 Higher Education Amendments added a new set of provisions to the previously-enacted Student Consumer Information Act, requiring covered institutions to provide present and prospective students with specific information regarding financial assistance opportunities and institutional programs. While this is a step forward in providing learners with better information and therefore opportunities both for informed choice and for access to resources, in practice the institutional responses have not in general been even-handed in their applicability to all learner groups. In far too many cases the information provided is directed entirely to the traditional student, with scant attention paid to prospective part-time or non-traditional students.

We recommend that Secs. 493A and 493B be amended to deal specifically with the special needs of part-time students.[15]

The proposal for an amendment to Sec. 493B assumes that these amendments will all become law as a part of the Higher Education Act reauthorization process in the 96th Congress. The language proposed would put a first priority on the provision of information services to part-time and non-traditional students for the life (which may confidently be expected to be four years) of the 1980 amendments. It is suggested that if this proposal is made by the Administration and accepted by the Congress, it should be accompanied by an explicit undertaking that it will not be renewed in the next HEA cycle. If an honest effort is made to carry out this amendment after 1980, information services for traditional and non-traditional services should reach parity by the subsequent authorization.

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[14] Sec. 3(h); Sec. 6(a); Sec. 7(a).
[15] Sec. 9(a) and 9(b).

While adequate consumer information is vital to the effort to promote equal educational opportunity for part-time and non-traditional students, it is not a substitute for knowledgeable and responsive professional financial aid counseling. Yet most financial aid counselors have been trained to deal with the needs and problems of traditional students, and despite their personal concern may be ill-equipped to respond to the needs of part-time and adult learners.

We recommend that Sec. 493C be amended to provide for specialized training of financial aid administrators in the provision of assistance to part-time, adult and other non-traditional learners.[16]

In addition to the express statutory barriers set forth above, Sec. 497 (e) (1) of the Act provides that student assistance should only be provided to a student who "is maintaining satisfactory progress in the course of study he is pursuing, according to the standards and practices of the institution at which the student is in attendance." This language does not mandate that the student meet any particular federally-mandated standard of "satisfactory progress," and, indeed the prefatory remarks to the Interim Final Regulation of August 24, 1978, makes it clear that "the Commissioner believes that the contents of the institution's standards of satisfactory progress is strictly an institutional matter." The institution, this passage in the Federal Register goes on to say, must have standards, they must be uniform as between different student financial assistance programs, but they can be different for students in receipt of, and those not in receipt of, such assistance. This prefatory material, which some have interpreted as forcing institutions to reserve student financial aid to students working on degrees and doing so at a fairly substantial clip, sheds some light on this interpretation. It says:

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[16] Sec. 9(c)

> "In setting standards of satisfactory progress, an institution is attempting to evaluate a student's efforts to achieve an educational goal, within a given period of time. To make this evaluation, the institution needs to establish a normal time frame for completing the course of study, and it must have some means, such as grades or work completed which can be measured against a norm."

We do not read these rather carefully qualified words as prohibiting, in and of themselves, the award of student financial assistance to students not pursuing degrees, or not doing so for a major part of their time. We are encouraged by the August 24th regulation in believing that the removal of the half-time limit would not still leave an insurmountable obstacle in place with the satisfactory progress language. The latter was intended to guard against student abuse of aid programs--the phenomenon on the student who only appears at registration and award time, and doesn't make a serious effort to pursue his education the rest of the semester. The August 24th regulation language shows that this desirable goal can be pursued within the context of legislation which allows less than half-time students to receive less than half-sized awards.

We would be remiss, however, if we did not point out ominous language in the very next column of these same prefatory remarks. The paragraph in question reads:

> "For a number of years, financial aid officers have expressed concern about an inability to deny aid to 'perpetual students' who may continue in enrollment from year to year while making little or no progress toward the achievement of any educational goal." (Emphasis added).

We are concerned lest the use of the phrase "educational goal" in this context where it must mean something like a degree, or passage from second- to third-year status, or some other administrative device having little to do with the attaining of an education, could vitiate the meaning we hope it has in the passages quoted above.

The use, in the passage of the regulation, of the phrase "perpetual student" in a clearly pejorative context, fits most uncomfortably with a reading of Section 131 of the Higher Education Act. We mean only to point out in this context, that not all the barriers to the non-traditional student are found in the law or the regulations, but that both should be constantly reviewed to weed out excessively rigid views of the proper goal of the educational process.

Postscript

Throughout this analysis we have recommended changes in the existing student financial aid programs to provide for more equitable treatment of part-time and non-traditional students. However, the fact remains that these programs were designed to meet the needs of traditional postsecondary students enrolled full time in traditional programs at traditional institutions. The changes we have advocated attack the most obviously discriminatory aspects of the current legislation. But the overriding concern must be to establish a support system to enable people to engage in learning activities in a variety of settings, modes and outcomes, throughout their lifetimes. Or more succinctly: how is this nation going to fulfill its stated commitment to lifelong learning?

While many proposals have been put forth to achieve what has come to be called "the learning society," we are not at present prepared to recommend one particular approach. What we do support is the development of a system of student financial aid which provides equality of opportunity throughout a lifetime, allowing the individual to select whatever education meets his or her needs, interests and priorities at a particular point in time, without being bound by unrelated form, format or temporal considerations. Every moment that is lost in arriving at such a system serves to deprive more and more people of their proper educational opportunity.

STATEMENT OF DAVID W. BRENEMAN, SENIOR FELLOW, THE BROOKINGS INSTITUTION

Mr. Chairman and members of the committee, I welcome the opportunity to discuss with you one of the thornier issues in the student aid reauthorization: whether eligibility for federal student assistance should be extended to students enrolled less than half-time. I find myself ambivalent on the question, for I see genuine values in the proposed policy change, but also serious problems. Consequently, I will discuss some of the factors that the committee may wish to consider in reaching a decision whether - and how - to extend aid to those currently ineligible for it.

First, the issue is posed more sharply when we realize that the "less than half-time student" really means a student enrolled for only one course. Aid is currently available to students enrolled at least half-time, for six credits or more, and two courses will normally produce six credits. Thus, the committee must decide whether there is a federal interest in helping to finance students enrolled for one course per term. Although such students may eventually earn a college degree or certificate, progress will necessarily be slow, and for many, earning a degree will not be the goal. Thus, the proposal raises a question about the purpose of student aid and its relation to degree completion that needs to be resolved as you consider the issue.

Closely related is the question of whether aid for less than half-time students should be limited to credit courses. Many of the classes taken by people who only enroll for one course are in non-credit areas, and thus these two issues are inevitably entwined. If aid is extended but limited to credit courses, pressure will build to include non-credit classes in determining elibibility. Since many of the students taking only one course for credit will not be aiming for a degree, the rationale for excluding non-credit courses will be weakened. Consequently, the committee should view this proposal as tantamount to extending aid to anyone taking a course, whether for credit or not. Once again, the issue of purpose is raised.

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[1] The views expressed herein are solely those of the author and should not be attributed to the trustees, officers, or staff members of the Institution.

A third concern involves the administrative procedures and costs associated with the change. If a decision is made to extend aid to students taking one course, does it make sense, for example, to require the student to fill out a BEOG application and add that considerable load of new paperwork on already pressed student aid offices? The maximum grant would presumably be $450 (¼ of $1800), and many would be far less, but the amount of paperwork per grant would be the same. I have talked with several student aid officers in community colleges who think the change is justified on philosophical grounds, but who oppose it simply because of the increased administrative burden. Implicit in their views, I think, is the notion that the proposal fails to pass a crude cost/benefit test, for administrative costs are too large for the amount of student aid received. Many students are likely to share this view from their perspective as well. This line of reasoning suggests that a different, and simpler, method of administration should be developed if aid is extended to less than half-time students.

A related issue is the administative barrier that existing application procedures would pose to those citizens most deserving of such aid. A welfare mother, for example, who wants to improve her skills may approach a community college seeking advice and counseling, but the college may lose her if the only way financial aid can be provided is through application for BEOG. If we truly want to serve this population, ways must be found to waive tuition charges on the spot. One of the undeniable benefits of the no-tuition policy of the California community colleges is the absence of administrative barriers, so that people who lack the sophistication to negotiate the student aid system are not effectively barred from enrolling.

Yet another mismatch of BEOG to the population under consideration is the program's weak link to actual tuition charges. In fact, one popular argument is that BEOG is intended to cover non-tuition costs, which assumes that college is the main occupation of the student. For people seeking to enroll in a single course, tuition is the major out-of-pocket expense, and thus the aid program to be effective should focus on meeting that cost. This consideration suggests that tuition waivers would be the best form of aid, awarded by the campus upon receipt of a simple application certifying the student's low income. A case could be made for state governments being the logical source of such aid; not only would administration be simpler, but most recipients are likely to be permanent residents of the state, less mobile than 18-22 year old full-time students.

I have not discussed the costs of the proposal since I have no independent estimates of the numbers involved. Alan Wagner, formerly of the College Board, estimated that removing the half-time attendance limitation on BEOG would have cost $62 - $72 million based on the 1976-77 program, and recent changes such as the increased maximum award would raise those figures. Wagner's article, published in the May 1978 issue of School Review, includes cost estimates of several other changes that would expand access to student aid, highlighting the fact that eliminating the half-time provision is not the only way to help part-time, older students. An article by Bette Hamilton in the May-June 1979 issue of Change Magazine makes a similar point. Setting priorities among these proposed changes is an essential task.

In conclusion, I would argue that the committee must first decide whether there is a federal interest in aiding less than half-time students, viewing state or local government support as plausible alternatives. If you decide in favor of federal support, then I would urge on administrative grounds that funds be provided to student aid officers to use for tuition waivers rather than altering eligibility under BEOG. In that way, I believe support can be directed most effectively and at least cost to the most needy individuals.

Thank you for the opportunity to testify on this issue.

STATEMENT OF JOEL PACKER, LEGISLATIVE DIRECTOR, U.S. STUDENT ASSOCIATION

Mr. PACKER. Thank you, Mr. Chairman.

It is a real pleasure to once again be here before this committee. We would like to mention that we think simply holding a hearing on this particular topic, the issue of aid for less-than-halftime students, is quite significant.

It is really a recognition of the changing character of enrollment in the Nation's colleges and universities. The steady increase of part-time students, many of whom are older students, seems certain to continue, if not expand even faster and further, and it is, therefore, not only appropriate, but quite vital that the underlying assumptions of the several Federal student aid programs be reviewed in order to judge whether or not they are adequately meeting the needs of this new clientele.

Let me say at the very outset that USSA does support, and has submitted to you, as part of our legislative package for reauthorization, limited aid for less-than-halftime students.

We believe that campuses should be given the discretionary authority under the supplemental educational opportunity grant program to provide aid, with certain restrictions that are outlined in our attachment, for the less-than-halftime students.

This type of proposal has been endorsed by a variety of organizations, many of whom are represented here, as well as other groups such as many women's educational groups including the National Coalition for Women and Girls in Education—of which USSA is a member.

Let me just take a little bit of a look at what the makeup of college enrollments is today.

The average person on the street, if they were asked to describe a typical college student, would probably say someone between 18 and 22 years of age, going to school full time, having come right out of high school.

This is, however, far from the reality of the makeup of today's enrollments. In the fall of 1977, while total enrollment was about 11.5 million students, part-time enrollment was 4.5 million students, or just about 40 percent of all enrollment. Looking at just 2-year public institutions, part-time students composed 62 percent of all students enrolled in those schools. So there are far more students enrolled part time in the 2-year public institutions, than are enrolled full time.

Over the past 10 years, enrollment for part-time students has increased by 2.4 million students, an increase of 114 percent, which is certainly rather dramatic.

Looking at the age of college students, according to the National Center for Education Statistics, (NCES), there has been a dramatic shift in the age distribution of college students between October 1972 and October 1976. The shift is rapidly toward increasing number of older students.

Looking at the enrollment of persons under 25 years of age, for that group, the percentage of the total enrollment decreased from 72 to 67 percent in this 4-year period, while the older age groups, those persons from 25 through 29 years of age, increased their proportion of enrollment from 5.8 percent to 7.2 percent, while those persons 35 years of age and over went from 8.6 to 10.7 percent. So even those persons over the age of 35 are composing a bigger percentage of college enrollment.

This larger percentage of college enrollment, in particular, in the 35-year-old category, is due to the significant rise in the number of women of this age who are going to college.

The actual numbers of females in this age group of 35 and over enrolled in college went from 418,000 in 1972 to 700,000 in 1976, which is a percentage increase of 67.5—fairly dramatic, obviously. And there are other statistics in my testimony on other people.

There are large numbers and ever-increasing numbers of older and part-time students, many of whom are attending on a less-than-half-time basis.

However, the current Federal aid program discriminates against these groups in several ways. One of the primary ways, we believe, is by limiting aid only to those who enroll halftime.

The rationale, for the somewhat arbitrary cutoff seems to be based primarily on two reasons: (1) that these people are not as serious or committed as the full-time student and, therefore, should not get aid, and (2) they are not in need of aid anyhow, so why should we give them money.

There are several other provisions of law which I will not mention now because we will be coming back to testify later in the grant programs which tend to discriminate against part-time students, et cetera. I will not go into that.

In looking and observing the halftime, part-time students, in general, we find that they are thinking, serious, hard-working, dedicated people basically struggling to balance the responsibilities of higher education, employment and family responsibilities. They are not taking a reduced course load because they feel like it, but because they cannot afford either the funds or the time necessary to carry a more intensive workload.

The Coalition for Alternatives in Postsecondary Education—and we will talk more about this later—has estimated that at least half of all of the part-time students are excluded from federal student aid programs because of the halftime provision. These people are in need.

Looking at even a course load of four credits, that may cost several hundred dollars or more in tuition alone, and then one has to figure in the cost of transportation to the schools, books, other fees and other related expenses. That is a fairly significant course load even for these less-than-halftime students. We believe that a grant of $200 or $300, something in that range, may well make the difference between one of these people attending school and not.

These people are committed, and they have been successful in their school work. NCES data show that 94 percent of all part-time students completed the courses for which they were enrolled in 1975.

We think that the whole issue of aid for less-than-halftime students is integrally related to the broader question of lifelong learning.

This committee and Congress authorized title I, part B of the Higher Education Act which authorized programs for lifelong learning. I want to read one of the parts, which is the declaration of congressional findings and of the purposes of lifelong learning:

> American society should have as a goal the availability of appropriate opportunities for lifelong learning for all of its citizens without regard to restrictions of previous education or training, sex, age, handicapping condition, social or ethnic background, or economic circumstance.

It seems to us that the halftime restriction really violates this congressional intent to expand lifelong learning opportunities, particularly where it talks about "economic circumstance" not being a bar to the people attending under this type of opportunity.

Examples of some of the problems can be found in an excellent report, "Lifelong Learning and Public Policy" issued by the Lifelong Learning Project in February 1978. They talk about implementing lifelong learning programs, and state that while Federal policy should focus on equity, there are perplexing concerns which still remain regarding the adult learner, particularly the disadvantaged adult learner.

And they note that: "Despite the general increases in participation in adult education, participation rates among the poor, the elderly and the relatively uneducated are very low." And they go on to point out that one of the factors of this is cost, and in every survey of adults, costs or expenses have been cited as a barrier, and they point out that the halftime restriction is one of the main reasons why these people find it so difficult to obtain education.

Taking a look at some of the broad categories of who are these less-than-halftime students, these older students, a couple of broad categories become apparent. One of them would be workers, people employed, who suddenly find themselves in a changing-job situation, or people who are forced to change occupations, or simply homemakers who, for the first time, are entering the workforce due to divorce or a separation, to achieve greater economic independence.

Statistics in this country show that one-third of all workers changed between 1965 and 1970. Really, a large number of people are changing jobs. A lot of the people are in the lower-skilled and lower-paying jobs who need increased educational opportunities to increase their skills so that they can move on to higher pay, a more productive job and become more productive citizens in the society.

These are the type of people we have in mind who should be benefitting from the aid program. The less-than-halftime student is someone who has a full-time job, responsibilities. They are people who are struggling to improve themselves, who want to go the school, but who need a little bit of money to take one or two courses during the semester.

Another group would be women. An excellent article in an issue of School Review called Financial Aid for Lifelong Learning: The Special Case of Women—I want to read a little quote from that:

> Women of all ages are turning to the education system to help meet the new personal and economic challenges. Older women with children who suddenly find themselves single heads of household because of divorce, for example, are seeking programs that can prepare them to become financially self-supporting, but which can be coordinated with their already heavy schedules of work and child care. While postsecondary institutions are moving to provide access to these women, a major obstacle remains: cost.

Under current systems of awarding financial aid, women students, particularly older, part-time women students, get shortchanged. In designing a revised system of financing continuing education, the needs of these students should be taken into account.

So here is another category of people who want to go to school who are only able to attend on a very limited basis, not because they do not want to take more courses, but because they have other responsibilities that prevent them from doing so.

One last category would be senior citizens, or older adults. Increasingly, just by looking at the demographics in our society, they are becoming a larger and larger percentage of our society, our population. In 1900, only 3.1 million persons were 65 and over. By 1975, 22.4 million persons were in this age group. HEW figures project that there will be about 31 million Americans aged 65 or over in the year 2000. Again, these people are not really being served by the current educational system and the current financial aid programs and policies.

The lifelong learning project again points out that the less-than-halftime provision really adversely affects these older people who need education to help them become more productive members of society through more training. Once one reaches the age of 65 and is perhaps retired, one does not have to go in and sit in an old age home. Education programs can help these older adults cope with the changing society.

Based on this evidence and evidence that will be presented by others today, we strongly recommend expanding eligibility for the SEOG program to less-than-halftime students.

By totally denying less-than-half-time students Federal aid, the Government is saying that their needs are less important than a full-time 18-year-old student.

We are continuing a great disservice to society by preventing these people from becoming more productive members of our society through job improvement, economic independence, or simply being better informed and more active citizens.

We believe that not changing the policy would be short-sighted and in contradiction with the goals already stated by Congress in title IB of the Higher Education Act.

Ideally, we would like to see full eligibility extended to the less-than-half-time students in the basic grant program and other programs. We realize, however, that this may prove very expensive, and could perhaps lead to certain abuses.

The benefits of enacting our proposal is that it will not require any new funds. It does not mandate participation by any school, and it will allow us to gather better data on the needs of the less-than-half-time student.

If the data show a great unfilled need, we would be prepared and would actively work in trying to expand the eligibility for these people even further.

Let me stop here, and thank you again for the opportunity to be here, and commend you and the committee for the interest in this whole area of less-than-half-time students, the older students, the part-time students. I think it is the area that is most in need of some improvement in the whole student aid program.

Thank you.

Mr. FORD. Thank you.

I would like to state on the record that a memorandum was handed to me by the staff which says that of the 60 organizations that have given us their recommendations for specific legislative changes, a group of organizations that one or more of the grant programs be modified to accommodate less-than-half-time students. They are the American Association of Community and Junior Colleges, American Council for Education, the Coalition for Alternatives in Post-secondary Education, the Council of the Chief State School Officer, Joint Council on Education and Telecommunications, National Association of State Universities and Land-Grant Colleges, National Advisory Council on Extension and Continuing Education, National University Extension Association, American Association of State Colleges and Universities, Adult Education Association and the United States Student Association, from whom we have just heard.

Mr. Kurland.

STATEMENT OF NORMAN D. KURLAND, EXECUTIVE DIRECTOR, ADULT LEARNING SERVICES, NEW YORK STATE EDUCATION DEPARTMENT, ALBANY, N.Y.

Mr. KURLAND. Mr. Chairman, Mr. Buchanan, thank you for inviting me to appear today to discuss the issue of student assistance for less-than-half-time study at institutions of post-secondary education.

I will present the position of the New York State Board of Regents on this subject. I am glad to be able to associate them with the distinguished list of organizations supporting extension of aid to less-than-half-time students that you have just read. I will also base my comments on a study that we have done on student assistance. Mr. Robert L. Purga who did the study is with me today.

As you perhaps know, the board of regents annually submits a set of recommendations to the Congress of Federal legislation and has done so this year. In that statement, they review very extensively all aspects of the Higher Education Act and make a number of recommendations for consideration by Congress.

Incidentally, one of the recommendations has to do with the subject of the first panel today on accreditation and institutional eligibility. If you would like to enter that section of the recommendations in the record for the hearing today, I would be pleased to do so.

Mr. FORD. We would be pleased to placed that in the record.

[The document referred to above follows:]

[From Federal Legislation and Education in New York State. New York Board of Regents, 1979]

ACCREDITATION AND INSTITUTIONAL ELIGIBILITY

There is a growing need for a close Federal-state partnership in evaluating the quality of postsecondary institutions, the adequacy of Office of Emergency Planning determines that an institution is within an area which has suffered a major disaster.

Nonprofit independent institutions are excluded from Part D benefits. Nevertheless, disasters New York State caused by tropical storms in July 1972 and in October 1975 found several independent institutions suffering major damages and losses.

Recommendation.—The Regents recommend that nonprofit independent institutions of higher education be included.

GRADUATE EDUCATION—TITLE IX

Support of excellence in graduate education as a national resource should be given a very high priority because the nation's need for cultivation of the highest level of scholarship cannot be minimuzed. In addition to the support of research to graduate institutions, it is important that excellence be fostered in graduate education. Title IX is intended to pursue such excellence. Its provisions are consistent with New York's policies toward graduate education. While the Regents urge certain amendments to Title IX, its program—expecially Parts A and F—should be funded.

Part A of Title IX authorizes grants of up to 66⅔ percent of the cost of programs to strengthen, improve, and, where necessary, expand the quality of graduate and professional programs leading to advanced degrees (other than medical degrees).

Recommendation.—1. The Regents recommend that Parts A, C. D, and F of Title IX be reauthorized and funded.

2. The authorization in Section 903 should be boardened to include the use of funds for "the development of proposed or existing graduate and professional programs of high quality and need, offered by single institutions or by consortia of institutions."

3. In the selection of institutions or individuals to receive aid, the state 1202 commission should have a mandated role to assure consistency between proposals for funding and state policy.

4. Part B should not be reauthorized in its present form. In its place, the Regents recommend that authorization and funding of a Federal/state partnership to support graduate programs. This partnership should take the form of a program to provide Federal cost-of-instruction grants to doctoral institutions in those states that establish state doctoral fellowship programs, based on merit, of up to $6,000 per year for tuition and maintenance, to no more institutional practices and procedures, and institutional eligibility for participation in various Federal programs. Such a partnership is essential to assure that all institutions participating in Federal programs meet Federal eligibility standards and operate programs in accordance with public policy.

To be eligible for Federal postsecondary assistance, instituitions currently must be accredited by an accrediting agency recognized by the U.S. Commissioner of Education of must generate credit accepted for transfer by three or more accredited institutions. The Regents believe that an alternative accreditation process must be considered. That alternative should make available stronger assurances about institutional quality and integrity in determining eligibility and so that students in ligitimate nontraditional programs can participate in Federal programs It is significant that in New York where the Regents are a nationally recognized accrediting agency, *Bear's Guide to Non-Traditional Degrees* states that there are no "degree mills, diploma mills, and questionable institutions" in operation.

Recommendation.—The Regents recommend that the eligibility system described below be adopted as an alternative that would exist in parallel with the present accreditation requirement. Such a revision would give institutions and optional way of achieving eligibility and, therefore, reduce pressures for "mandatory" accreditation by voluntary agencies, and create a better determination mechanism than the present option of acceptance of transfer credits.

An appropriate state agency would be designated in each state as a federally recognized approving agency to approve (or accredit) postsecondary educational institutions (as defined in Section 435 of the Higher Education Act of 1965, as amended) and eligible vocational institutions, or the programs (courses of study of curricula) of such insitution. Decisions of the agency would be relied upon by a Federal officer of agency in connection with participation in any program of Federal assistance to postsecondary or vocational educational institutions or their students, by way of grants, contracts, loans, or loan insurance or guarantee administered by any agency of the Federal government; and any program under which continuation of Federal payment is conditioned on attendance at a postsecondary or vocational institution.

Each state (as defined in Section 1201 of the Higher Education Act of 1965, as amended) would designate an existing state agency or commission to be the federally recognized approving agency for this purpose in the state. The agency to be designated would be either:

(a) a state-approving agency for the Veterans Administration; or

(b) a state agency determined by the U.S. commissioner of Education to be a reliable authority as to the quality of public postsecondary vocational eudcation, pursuant to Section 438(b) of the Higher Education Act of 1965, as amended; or

(c) a state commission established or designated pursuant to Section 1202 of the Higher Education Act of 1965, as amended.

The U.S. Commissioner of Education would promulgate criteria for the recognition as a reliable authority as to the quality of the education or training offered and as to the intergrity of the institution or program, of the agency or commission designated by each state.

The U.S. Commissioner of Education would recognize each designated state agency or commission which is a reliable authority with respect to quality and integrity in accordance with the criteria promulgated, and grant provisional recognition to each designated state agency or commission which the Commissioner believes is making substantial progress toward meeting such criteria. The Commissioner would annually publish in the Federal Register a list of those designated state agencies which are recognized as meeting the criteria and a list of those designated state agencies, which are provisionally recognized.

At any time a designated state agency or commission is recognized by the U.S. Commissioner of Education as substantially meeting the criteria promulgated, a state may designate that agency or commission as the state-approving agency for the Veterans Administration.

The Federal Trade Commission would have no jurisdiction over any postsecondary educational or vocational institution which is approved (or accredited) (or whose programs, courses of study, or curricula are so approved or accredited) by a designated state agency or commission recognized by the U.S. Commissioner of Education as substantially meeting the criteria he promulgates.

The U.S. Commissioner would be authorized to make grants to any designated state agency or commission which is recognized or provisionally recognized to assist in carrying out its duties. Such grants would not exceed the appropriation made by the state for the support of such activities.

Mr. **Kurland**. I will stress one of the recommendations with respect to the less-than-half-time study. I want to focus on the regents' position which is based on the concept that all students who need financial aid to attend an eligible postsecondary institution are entitled to receive grant assistance.

The regents believe that all students includes those persons, usually adults, who do or might attend less than half time.

While some less-than-half-time students are in the traditional college age group, most are adults with job and/or family responsibilities, many with limited financial resources.

The regents, concern is that persons who demonstrate need on the same basis as students studying half time or more should have equitable access to financial assistance. And they recommend that this assistance be extended through three possible avenues: (1) Through the modification of the SEOG program, the supplemental educational opportunity grant program; (2) through the modification of the loan program; and (3), if there is consideration of tax credits again by the Congress, that such tax credits also be extended to persons studying less than half time.

In supporting their recommendations for less-than-half-time study, the regents state that:

> These students, particularly adult learners with other responsibilities, are unable to commit larger shares of their time to education. These persons might be denied postsecondary educational opportunity if federal assistance were not provided.

I will expand briefly on those reasons with material that comes from our study, much of which is in my testimony. I will just hit the highlights of that.

As we have heard already, less-than-half-time students, part-time students, generally have less access to aid than full-time students and, of course, less-than-half-time students, generally, are ineligible for any aid, State or Federal.

We estimate that in New York State alone, there are about 55,000 less-than-half-time students at the present time, and this number will probably increase to around 61,000 by 1990. We do not, of course, know the extent of need of such students. That is one of the key questions: Is there a need for aid to less-than-half-time students? We think the answer is yes. It has been developed here, and it will be developed by others of the speakers. It is developed more fully in our written testimony. We have already heard about the groups who would benefit from such less-than-half-time aid. I would like to stress one point about those less-than-half-time students.

A point that is sometimes made against extending aid to these students is that at less than half time, which usually would mean one course a semester, such people are not likely, or only after a great length of time, actually to earn a degree.

We think, however, that this is a wrong representation of the character of these people. It is not the expectation, probably, of many of the less-than-half-time students that they will always be less-than-half-time students or even necessarily always part-time. We think that less than half time would be particularly important for those people who are in circumstances where it is very difficult for them to meet even the half time requirements for aid.

We are told by financial aid officers that many older students stretch themselves in order to qualify for aid by studying half time, 6 hours or more hours, but would be much better off educationally, at various times, if they could get assistance for less-than-half-time study. When the alternative is to reduce their loads and lose aid, drop out, losing the continuity that would be gained if they could at least continue with one course a semester during the time that they had reduced aid.

The counterpart group to those students are persons who, having made the judgement that they cannot study at least half-time in order to qualify for aid and feel that they cannot study without some aid, do not undertake study at all. These persons, if given a chance to study, if given a chance to acquire work habits, and if given a chance in their worklives to acquire the competence to extend themselves in education, would probably then continue their education at more extensive levels and complete their degrees as do other students.

Another category of persons who would benefit from less-than-half-time aid would be persons who are workers. It has already been suggested that one argument against providing workers with aid is that they should be able to afford the tuition from their own resources, particularly if they are only thinking in terms of a course or two. It is also argued that many workers have access to tuition benefits from their employers.

The fact, though, is that less than half of the workers do have access to education benefits, and the workers who do not have such access are often in situations where they are probably most in need of additional eudcation in order to improve their circumstances and in order to be able then to get the kind of employment that would entitle them to further educational benefits. So we think that workers, particularly in these categories, can benefit from less-than-half-time aid.

It is also the case that most of those who do have education benefits must put up the funds for their education, and are only reimbursed upon the successful completion of the course. For many workers, particularly those who are also trying to support other members of their families while trying to get an education, even that modest initial investment may be more than they can master.

There is another side to the extension of aid to less-than-half-time students, and this has to do with the institutional benefit.

In the last panel discussion there was a good deal of discussion about the question of the distribution of costs. We all know that the traditional students will be declining in the coming years. The country has a tremendous investment in the postsecondary educational institutions. One way to assure that we will make use of this vast investment is to insure that those students who are older and study part-time, including less than halftime, will be able to attend these institutions and thus use the capacity both of the faculties and of the physical facilities that have been built up. They are an important national resource.

These institutions have been reducing the barriers of location, time and content to adults by offering courses at places and times convenient for adults on subjects that address adults' needs, interests, and preferred methods of study.

Cost does remain a barrier to the full utilization of this resource, and if an extension is made to the less-than-half-time students, that would help to use that resource.

Now, if you decide to extend the SEOG program to the less-than-half-time students, which is the Regents preferred option, there are problems with SEOG which should be worked out in this adjustment.

The first is the matter of the determination of need, some of which has been addressed in the MISAA legislation but not all of it. I describe in my written testimony some of the changes that the Regents recommend in the needs determination area.

The second factor is that there is now a $200 minimum award which would, in effect, mean that many individuals would not qualify for any aid if that $200 minimum award were maintained.

Finally, there are some factors of institutional discretion, particularly as to which students the institutions will receive SEOG funds. There are some things there that could be done in order to increase the possibility that less-than-halftime students will, indeed, benefit from the permissive extension to institutions of the right to use SEOG for less-than-halftime students.

In fact, the Regents sought to address this issue of institutional discretion by proposing that institutions be required—here they picked up the language that is now in the legislation—to make vigorous efforts to serve persons of any age who have exceptional financial need.

This would not impose a requirement that every institution use a certain proportion of its funds for this purpose, but at least, they would have to make a vigorous effort to do so. An institution that is concerned with its community service role should be able to explain how it has allocated its funds among the various groups in the service area. Another way we think that less-than-halftime students could be aided is through loans because extended grants would meet only part of the financial aid requirements of the less than affluent less-than-halftime students, and would not help at all the student who does not qualify for aid, but cannot make the lump sum payment required at registration.

We have a number of suggestions to make about loan programs, including ones along the lines that were earlier discussed here: Consolidating all of the loan programs in order to make them more readily administerable. If loans are extended to less-than-half-time students, this would be particularly desirable.

One suggestion that we do make is that the loan guarantees might be extended not just to loans that are deferred until the completion of education, but for the less-than-halftime students it might be a guarantee of a deferred tuition program. This would help institutions that wish to defer tuition to make a kind of installment loan, and have some guarantee for defaults that may occur.

In conclusion, Mr. Chairman, we are pleased that you have chosen to focus attention at this hearing on one segment of the adult student population.

Adult learners are becoming an increasingly important part of the clientele of all educational institutions. This growth in participation of adults in learning activities is contributing to the economic strength and well-being of our Nation.

It is assuring that the rich resource represented by our postsecondary institutions, developed at great public and private cost, will continue to serve the people of this Nation.

Just as we developed our great financial aid system to insure equity of access for the high school graduates, so now it is appropriate to provide the means to insure that equity will prevail throughout the lives of individuals.

You will undoubtedly hear arguments that, in the order of priorities for the expenditure of scarce public funds, the less-than-halftime adult students stand too low for consideration at this time. But making a judgment as to the relative need and merit of a full-time 18-year-old with no clear purpose and no family obligations and a 30-year-old working mother who wants to improve her economic status by studying part-time is no easy task. It is not one that the Government should have to make.

As you consider the student financial aid system for the eighties, it might be timely to look beyond the patching and the fine tuning of a system basically designed for another time and purpose.

May I respectfully commend for your consideration the exploration of a financial aid system that would be appropriate for the kind of learning society that we are becoming, one that would treat persons of all ages and circumstances equitably, and that would give to the individual adult learner the primary decision on when, what, and where ne or she will study.

Finally, Mr. Chairman, it is important to note that finances are not the only barriers to adult participation in education. There are information and other barriers that also need to be addressed.

As you consider other parts of our Higher Education Act, particularly title I, we urge that support be provided for education information centers to deal with the problem of information which was discussed so extensively earlier today, and also to provide for further research and development on adult learners.

I thank you for this opportunity to present these thoughts, and hope that they will be helpful to you and to the committee.

Mr. **Ford**. Thank you very much.

Mr. Roschwalb, I see your statement representing a number of these organizations here. Your statement will be inserted in full into the record. Go ahead.

STATEMENT OF JEROLD ROSCHWALB, DIRECTOR, OFFICE OF GOVERNMENTAL RELATIONS/HIGHER EDUCATION, NATIONAL ASSOCIATION OF STATE UNIVERSITES AND LAND-GRANT COLLEGES, WASHINGTON, D.C.

Mr. **Roschwalb**. Thank you, Mr. Chairman and Mr. Buchanan.

Since you have kindly inserted our documents into the record, and since I have already been preceded by two colleagues, my statement will be quite brief, briefer than I had anticipated.

As you noted, Mr. Chairman, I am testifying today on behalf of seven associations. I think it is worth noting immediately that they represent a variety of types of institutions. Their memberships are made up of private, public, 2-year and 4-year institutions. This not a parochial issue, but one that cuts across higher education generally.

I am pleased to be here this morning because it is important for the issue of nontraditional students to be before this committee. This is an unusual opportunity. We do not have to rely upon flights of elegant rhetoric, but can rely, for a change, on hard data.

I am pleased to note that while USOE has not yet formally sent up any proposals on this subject, my conversations with colleagues at the Office of Education indicate that thay will oppose what we recommend, which give us encouragement. [Laughter.]

Mr. Packer has already noted, Mr. Chairman, that your putting this question on your agenda is important because its mere statement carries with it part of the answer to the question.

What your question says to us is that you recognize, as we do, that the circumstances of the enrollment of various types of students in American institutions of higher education has changed sufficiently over the last several years to require that we examine who should be eligible for Federal student aid.

I think it is important to note now, and I did not anticipate this before this morning, that Mr. Ramsden's comment in response to one of your questions gives us a picture of what we are talking about.

We can document that approximately 12 percent of the students enrolled in American postsecondary education today are enrolled less than halftime, and of this 12 percent, approximately 25 percent, or 300,000 students, are from families earning less than $10,000 annually. We are, therefore, talking about the same number of students who are enrolled in America's most expensive institutions. I think it is an interesting balance for those students who are eligible for the BEOG program and the SEOG program and the sacrifices that institutions make in providing money from their endowments and the like, all forms of student aid.

The group we are talking about is eligible for nothing other than the low tuition, or the comparatively low tuition provided by some public institutions of higher education.

Very, very few public institutions have been able to make funds available from their own sources, which are not very large indeed.

I think that it is useful to point out that if we were ever to be self-congratulatory, this group of students would give us reason to, because without any assistance they are making already enormous sacrifices in time and their own very small earnings, less than $10,000 annually for families, to pay for part of their education costs.

Mr. Packer has pointed out that this group is comprised heavily of females. The less-than-half-time student body in the Nation is disproportionately female, poor, laborers as opposed to professional employees, and it is comprised heavily of members of minority groups. Clearly, they are from poor families, often persons 18 to 20 years of age who, for a variety of reasons, cannot enroll for more than a small number of credits.

As Mr. Kurland has noted, for many of the less-than-half-time students, whether they can return to full-time-study will depend on whether they get any support. In this case, it occurred to us, in a conversation that I was having with a group prior to this hearing that the chairman of this subcommittee has provided outstanding support for many years to migrant workers. They may well fall into our category as well because of their peculiar circumstances and not qualifying for existing aid.

I think it is also important to make an obvious point: Most of these people are employed. They pay taxes, and part of their taxes has, for a number of years, been used to pay for student aid, to pay for other people's education, to pay for other persons to attain educational objectives.

This makes sense, but we think perhaps that their turn has come now. This Nation has been making, with the leadership of this subcommittee, continuing progress toward greater equity for all of its citizens, and we make the following specific recommendations, Mr. Chairman:

That the SEOG program should be modified to permit institutions of postsecondary education to award grant aid to students enrolled for less-than-half-time a credit. Because many institutions serving a large number of this student constitutency do not receive nor give sufficient SEOG money, we recommend that the law should allow institutions to transfer up to 10 percent annually from college work-study and the NDSL programs to the SEOG program for the express purpose of making grants to less-than-half-time students.

We believe that each institution should determine for itself the amount of its SEOG funds that it will annually use for these groups of students. There should be no ceiling on the amount of funds nor should there be a requirement for those institutions to spend minimum amounts of such funds.

Grants for less-than-half-time students should not exceed 75 percent of the educational costs. These costs should include tuition, fees, books, equipment, transportation, and there should be emphasis on child-care expenses. The special constituency with which we are dealing may find that latter expense one of the greatest barriers against their attending school.

We believe that a 25-percent contribution by the students is a form of insurance. It is not necessarily required for any other students. Nevertheless, that may be important because it removes the possibility of alleged self-indulgence by the students or the institutions in this area.

While there is still uncertainty as to the total amount of a grant in any academic area, it should not exceed a full-time student's grant, but neither should there be a minimum amount.

If the institution thinks it is worth the investment, and the student is prepared to spend $25 on his or her education, a $75 grant, for example, would be entirely appropriate.

No student should be permitted to acquire any more in grants cumulatively from SEOG as a less-than-half-time student than if he or she were a full-time student.

SEOG also should be amended to permit a State to make grants to less-than-half-time students.

Eligibility for grants should be determined by student aid officials on the basis of need.

Institutions should use standards currently established for other students, for full-time and half-time students, to determine what the proper need is.

Finally, we emphasize the amendment that we seek in this area, asks that the law should be wholly permissive, so that institutions may choose to participate in the program, but need not be required to.

May I note, Mr. Chairman, that we are not requesting changes in the allocation processes, or changes that would affect other students now receiving aid.

We wish only to have the students in this constituency assisted, but not at the expense of any students currently eligible for assistance.

We would rather see that our recommendations be implemented, as we suggest, in an ideal setting. We concur in the propriety of treating less-than-half-time students as no different from full-time and half-time students. However, we are seeking in this recommendation to move at least a step forward in the process.

Our recommendation involves no additional appropriations during the period of the authorization now being considered by the committee for the operation of this new section of the SEOG program. In a few years, there may be established by the Congress the need for further changes.

Right now, the steps taken by Congress last year in extending the eligibility for BEOG to students of families with more income, through larger appropriations may have freed money in many institutions that the institutions would like to use for less-than-half-time students.

Mr. Chairman, we would be happy to respond to your questions and those of your colleagues.

Thank you very much.

Mr. **Ford**. Thank you very much.

Mr. Sexton.

STATEMENT OF ROBERT SEXTON, ASSOCIATE DEAN, UNIVERSITY OF KENTUCKY, GENERAL SECRETARY, COALITION FOR ALTERNATIVES IN POSTSECONDARY EDUCATION

Mr. Sexton. Mr. Chairman, I appreciate this opportunity to express our views. I am associate dean of undergraduate studies and director of the office for experiential education at the University of Kentucky. I also have the pleasure of serving as general secretary of the Coalition for Alternatives in Postsecondary Education, and it is in that capacity that I am appearing before you today. I am accompanied by our counsel, Michael Goldstein.

In February, in resonse to your invitation, we provided you with our formal suggestions for amendments to the student aid programs.

Those recommendations represented what we believe—and I am speaking for our participating institutions and organizations which daily serve thousands and thousands of these students—is the only fundamentally fair and equitable way to respond to the demand for equity in access to American postsecondary education.

Let me summarize for the record, Mr. Chairman, the amendments to title IV which the coalition believes constitute the kind of cleaning up which would best serve the needs of the students.

In the first place, we recommend striking the provisions barring less-than-half-time students from participation in the BEOG, SEOG, SSIG, GSL, NDSL, and the college work study progarm.

Second, we recommed striking the minimum $200 grant provisions in BEOG and SEOG.

Third, we recommend that requiring that the BEOG grants be apportioned in direct proportion to the intensity of enrollment. And fourth, we recommend that in opening the loan programs to less-than-half-time students, provisions providing for repayment during periods when enrollment status is less than half-time be retained.

We also recommend adjustment in the State apportionment formula to comport with bringing the less-than-half-time student into the mainstream of the aid programs.

We also recommend the extension of the student information programs to reach prospective less-than-half-time students, and to provide for assistance for a wider range of academic offerings.

That is a summary of what we proposed earlier, which has been presented as an appendix to our testimony. I will not go into the details now. I would like to describe the principles upon which these proposals were based, and provide you with the framework through which you might examine our proposals and those of our friends in the higher education community.

Our basic premise is very simple: Every student who is in need of financial assistance to enter upon, continue or complete his or her postsecondary education should have access to support to accomplish that goal without regard to the intensity of enrollment, type of institution, or mode of instruction.

We believe that this is not merely a Utopian ideal. Rather, we think it should represent the goal toward which this Nation, as a nation of learners, must be prepared to move.

We recognize that there are constraints which limit the ability of this Congress and this Nation to achieve such a goal no matter how laudable. There are budgetary limitations which, in the short term, probably do make it impossible to meet the financial need of every student, and bona fide administrative considerations which, we are told, make it very difficult to construct mechanisms to achieve such a flexible system.

Unfortunately, there remains a strong tendency, whenever the higher education community analyzes any student aid proposal, to examine it in terms of its effects on the insitutions rather than on the students.

We are also painfully aware that the best can be the enemy of the good, that an insistence that perfect justice and total equity must be reached in a single step may preclude even that first, necessarily imperfect, step toward a more just, more equitable aid system.

With all of these things in mind, our position can be reduced to three premises:

First, it is the function of a student aid system to make a better postsecondary education available to more people, rather than to preserve a given structure, or preordain its participants.

Second, in hard, practical terms, the search for equity within the limits of the present practical considerations requires us to design a system which will best serve the majority of present day learners.

Third, and here we come to the true heart of the issue, that the present majority is the part time, older, what we euphemistically, if no longer correctly, call the nontraditional student.

Mr. Chairman, The perceptions which, in the past, have prevented serious consideration of eliminating the barriers imposed by present law to the equality of the nontraditional student are no longer valid since the body of the learners who populate American postsecondary education has so radically changed its shape in recent years.

Three years ago, this committee, in its report to the House on the Education Amendments of 1976, said:

> The typical student is no longer young, no longer full-time, no longer just out of high school, no longer a stranger to the world of work, no longer necessarily seeking either a set of skills nor an educational credential. And to be certain, he is no longer overwhelmingly "he".

In the 3 years since, no one has been more eloquent and more consistent in pointing out this fact to an educational community that has only dimly perceived it than you, Mr. Chairman.

You have convinced us that we cannot continue with the pleasant fiction that the billions of dollars committed to student financial assistance ought to be channeled almost entirely to a student cohort of decades past.

Let me hasten to say that the coalition is in no way seeking to reverse what has been the discrimination visited upon the part-time and otherwise nontraditional students, and instead deprive full-time students of their due. On the contrary, we believe that demonstrable need must continue to be the basis upon which aid is meted out, and we likewise realize that full-time students are likely to be those with the greatest individual need.

Certainly, many part-time students and indeed, perhaps most less-than-half-time students will not be able to demonstrate financial need to the same extent as thier full-time colleagues. And the educational costs, at any given point in time, will certainly be greater for the full-time students.

It, therefore, inevitably arises from these considerations that the bulk of student financial assistance, especially grant assistance, will and should go the full-time student of proven financial need.

But the less-than-half-time student who does demonstrate need must not be excluded simply because of his or her enrollment status.

A student whose enrollment or program does not fit neatly into the right category, a student who is learning through an alternative process: None of these should be denied assistance. Access to aid programs ought not be barred because of the law's nostalgia for the day when college students were primarily adolescents.

We do not, Mr. Chairman, oppose the concept of a step-by-step approach toward achieving the impartial and equitable treatment of this new majority.

An incremental improvement in the present system is certainly not, in and of itself, objectionable to our coalition. Gradualism, half a loaf, however we might characterize it, can be accepted with enthusiasm if, and only if, the steps are in the right direction.

Proposals to meet the problem of the part-time student which begin from the premise that the student is the problem, and that the desired end result is to encourage or persuade that student back into the traditional image are not steps in the right direction, and they fail for more profound reasons than their gradual nature.

This Nation does not, in our mind, need a pilot program to ascertain whether less-than-half-time students require equity, nor should the institutions be restrained from applying aid resources where the needs of their students dictate. If one accepts the premise that equity requires equal treatment for the less-than-half-time students, then we argue that the barriers must be lowered in more than a token sense.

Our initial analyses of the economic impact of opening the aid programs to less-than-half-time students do not indicate that they would entail the appropriation of vast new sums of money.

As I mentioned a few moments ago, the demonstrable need of the less-than-half-time student is likely to be far less than his or her full-time counterpart, but that need is, nonetheless, real, and the institutions should have the tools available to meet it, and to serve the interests of that student with the full range of assistance programs in the same way as the full-time or less-than-half-time student.

If there is to be any significant impact resulting from an elimination of discrimination against the less-than-half-time student, we believe it will be in the form of a shift of students and, therefore, resources, from those institutions which choose not to respond to the needs of that new majority to others which are more effective and responsive in doing so.

We also believe that these shifts are likely to be the result of new students coming into the academic marketplace, students who are presently excluded by virtue of their inability to receive necessary aid.

In the final analysis, title IV is student aid, and it must deal with the needs and priorities of today's students. We do not oppose partial steps toward total equity. We stand ready to accept the good as progress toward the best. But we must not lose sight of the goal. We urge you to seek a solution which effectively strikes at the present discrimination.

Thank you.

Mr. **Ford**. Thank you very much.

Mr. Breneman.

STATEMENT OF DAVID W. BRENEMAN, SENIOR FELLOW, THE BROOKINGS INSTITUTION, WASHINGTON, D.C.

Mr. **Breneman**. Mr. Chairman, it has been a long day.

I have a few brief comments, and will make them even briefer.

It says on the front of my testimony that, as the standard disclaimer, that I speak only for myself and not for The Brookings Institution.

My main concerns, as I thought about this topic and testimony, really come down more to administrative questions than questions of fundamental educational philosophy or purpose.

I might say, with the basic grant program primarily in mind, that extending that program to less than half time students strikes me as a particularly troublesome and difficult administrative task. I think that some of the problems alluded to here may be much reduced if one restricts the change to the campus-based programs.

It focuses the mind if we remember that less-than-half-time students, realistically, translates into students enrolled for only one course.

I think that is a qualitative difference that, apart from the good comments made by others testifying, raises some difficult administrative questions about how you handle student aid that was designed primarily with full-time students in mind, and whether it makes sense to simply extend those programs to currently excluded groups.

For example, we are doing a study of community college finance, and have talked about this issue with a number of student aid officers in those colleges. They are tremendously supportive on educational grounds of making aid available to the less-than-half-time students who enroll for one course. They shared our doubts, however, about the wisdom of having to administer the basic opportunity grant program for this group of students, because of the much increased administrative load it would mean.

Intuitively, these people seem to be saying that this program would fail a simple cost-benefit test. In other words, it seems foolish to make students go through that lengthy application process for what would be a very small grant.

Now we are talking about lowering the grant level so that there could be grants of say $75. Clearly, there is some point where the cost of administering that kind of program is not worth the candle. There has got to be a better way. I think there are better ways to get these relatively small amounts of aid out to the people than simply trying to run them through the basic grant program.

My second concern is that I think you must face, if you go in this direction, the issue of noncredit courses.

A great many of the students who are enrolled in a single course on college campuses are in noncredit courses, but I presume if eligibility is extended, it would still be limited to students taking credit courses. But when you get into this area, I think you are going to find that a very tough line to maintain. In addition, you run the risk of creating an incentive system for shifting noncredit courses into the credit category.

And that is an issue much debated in a number of States. You will be taking Federal policy right into the middle of that issue. You should go in with your eyes wide open, and have a clearcut view on credit as noncredit courses.

I would suggest, if we are going to go this route, that perhaps we ought to give serious thought to dropping that requirement. I am not sure that the credit-noncredit distinction really makes all that much sense in talking about students taking one course. It seems to me we might want to consider aiding less-than-half-time students whether they are taking courses for credit or not. A related problem concerns the administrative barriers posed by the application forms for student aid. I spoke recently with a gentlemen, a former president of a community college, a very thoughtful gentleman, who has been working on a program that speaks to the administrative barriers. His point, which was quite persuasive was that when dealing with an older person who is coming back to college after a long absence or for the first time, and where money is an abstacle, a barrage of forms will drive them away. For the relatively small amount of money involved, complicated forms are an effective barrier. Several organizations have alluded to that.

If the college's response to that person is a complicated application form that requires lots of data, lots of income information and so on, as well as processing time, his observation is that they are simply going to lose that person. They will simply say: "The heck with that."

The proposal that he was working on for a group of community college presidents was a very simple program where a person could walk in and, if the passed the minimum income test by some very simple criterion and signed a voucher, that would allow them to receive a tuition waiver, with the State reimbursing the college.

One question you might want to consider is whether aid to the less-than-half-time student is best provided at the Federal level or at the State level, or through a combination.

A good case could be made for this aid being largely a State reponsibility but, be that as it may, something with the simple administrative procedure that this gentleman was describing makes a lot of sense, and it could be worked out, I think, if you go the route of opening up SEOG, college work study, and some of the loan programs to people who enroll for one course.

That process would allow the discretion of the student aid officer into the picture, and should reduce the amount of questioning and information gathering before awarding a $75 grant.

I point out in my written testimony that Alan Wagner, formerly of the college board, had done a careful estimate of the cost of a variety of legislative changes of this sort. His article is published in School Review in May 1978.

Bette Hamilton of AACJC has done an update on current issues relating to possible eligibility, published in the May-June 1979 issue of Change magazine.

Those two articles raise questions in my mind about priorities among the numerous changes you could propose in extending student aid to new groups.

In conclusion, I would argue that the committee must first decide if there is a Federal interest in aiding less-than-half-time students, or whether this is a responsibility of the State or local levels.

If you decide on Federal support, I would urge that funds be provided through the student aid office to be used for tuition aid rather than by altering eligibility under the basic grant program. In that conclusion, I am consistent with most of the discussion here at the table today. That way, I think support can be directed most effectively and at the least cost to the most needy individuals.

Mr. Ford. Thank you very much.

We talk about providing the student aid officer with funds to use for tuition waivers rather than altering eligibility.

As I understood the recommendations from this end of the table, you would let them take money from other campus-based programs, and use it for that purpose. Is that what you had in mind, or some new source for that?

Mr. Breneman. When I talk about the tuition waiver, that is based on the notion that the person who comes to the campus wants to take a single course, and may have a variety of other costs, but I think the principal cost is coming up with tuition money on the spot. There may be disagreement on that, but let us at least agree that at the front end there is the tuition cost that you have to get over, and when I talked about the tuition waiver, that was in the context of how a State program might develop. There are a number of institutions that already have the discretionary ability to waive tuition in certain cases.

Now, one of the related issues not raised in other testimony, is that if we go the campus-based route and, particularly, if we talk about SEOG, those funds have been growing, but not anywhere near as rapidly as the basic grant program.

I think that a lot of the students we are talking about in this area are potential community college students.

From some work we have done, I think it is still true that community colleges do not garner a share of those SEOG funds consistent with either their enrollments, or their costs. This raises in my mind the question of whether the allocation mechanism of campus-based funds would put enough money into the institutions that will be doing the bulk of this work if we do not alter the allocation process of those funds. Certainly, the freeing up of transfers among them is an important piece of it, but I do think we must face the question of the whole allocation process.

Mr. Ford. Thank you.

Before we proceed with questions for the panel, I have a memo which was prepared by the Library of Congress, Congressional Research Service, at the request of the committee entitled "Estimate of the Number of Postsecondary Students Enrolled Less Than Half-Time", dated May 3, 1979.

Without objection, we will place it in the record at this point.

[Memorandum dated May 3, 1979, to the House Subcommittee on Postsecondary Education, attention: Tom Wolanin, from the Education and Public Welfare Division, the Library of Congress, Congressional Research Service on the subject of "Estimate of the Number of Postsecondary Students Enrolled Less Than Half-Time follows:]

The Library of Congress
Congressional Research Service
Washington, D.C. 20540

May 3, 1979

TO: House Subcommittee on Postsecondary Education
Attention: Tom Wolanin

FROM: Education and Public Welfare Division

SUBJECT: Estimate of the Number of Postsecondary Students Enrolled Less Than Half-Time

In response to your request, we have estimated that the number of postsecondary students enrolled on less than a half-time basis in the fall of 1978 was 2.0 million. We outline below the steps taken to make this estimate. Although the methodology used appears to be adequate for the task of calculating this student population, we would stress that this is a rough estimate. In addition, we have not located any other estimates of this same student population against which our estimate might be compared.

Our methodology is as follows. First, half-time enrollment had to be defined. The five major Office of Education student aid programs authorized by the Higher Education Act* can serve students enrolled only on a half-time or more basis. For four of the five programs (BEOG, SEOG,

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*Basic Educational Opportunity Grant (BEOG) Program, Supplemental Educational Opportunity Grant (SEOG) Program, Guaranteed Student Loan (GSL) Program, College Work-Study (CWS) Program, and National Direct Student Loan (NDSL) Program.

CWS and NDSL), the Office of Education specifies through regulation the minimum number of credit hours which can be considered half-time enrollment. In general, the language for each program is the same; the specific minimums are exactly the same. The following excerpt, defining half-time undergraduate enrollment, from the interim final regulations for the NDSL Program is representative.

> Course work and activities must amount to the equivalent of a minimum of (a) 6 semester hours or 6 quarter hours per academic term for institutions using standard semester, trimester, or quarter hour systems; (b) 12 semester hours or 18 quarter hours per academic year for institutions which measure progress in terms of credit hours but which do not use standard semester, trimester or quarter systems, or (c) 12 clock hours per week for institutions which use clock hours to measure progress.
>
> (Federal Register, August 24, 1978.)

Regulations for the GSL Program define half-time enrollment as half of the regular full-time course of study as determined by the participating postsecondary institution.

In general then, if we use the Office of Education's student aid programs as guides, less than half-time enrollment is enrollment for fewer than 6 credit hours at institutions using standard semester, trimester or quarter hour systems; etc.

At this juncture the population which could be classified as less than half-time must be defined. The National Center for Education Statistics (NCES) estimates that the part-time enrollment in the fall of 1978 was 4,660,051. This category includes all students enrolled for less than three-quarters-time because NCES defines full-time enrollment as enrollment for three-quarters-time or more. NCES also states that for most institutions, the full-time work load is 15 credit hours, based on standard semester, trimester or quarter systems. Thus, assuming that the bulk of the part-time enrollment is found at institutions with standard semester, trimester or quarter systems, the part-time category consists of students enrolled for 11 credit hours or less (less than three-quarters of 15 credit hours). From the NCES data we cannot determine what portion of these part-time students enroll for less than 6 credit hours (the half-time minimum).

It is possible to make a rough estimate of the portion of part-time enrolled students falling into the range of less than 6 credit hours using data from the 1973 survey of Income and Expenses of Students Enrolled in Postsecondary Schools: October 1973, conducted by the Bureau of the Census (1975). The following percentage is derived from a special tabulation of this data prepared for the Office of Education. For students enrolled in unversities, four-year colleges and two-year colleges (excluding vocational education schools), 43 percent of all students enrolled for 11 credit hours or less (part-time students) were enrolled for fewer than 6 credit hours. Applying this percentage to the preliminary estimate of fall 1978 part-time enrollment yields an estimated 2.0 million students enrolled for less than 6 credit hours, that is, less than half-time.

It should be noted that this estimate depends on the applicability of the 1973 enrollment data gathered by Census to 1978 NCES enrollment data. Changes in enrollment have taken place over the past several years which may have affected the distribution of part-time students by number of credit hours. We have also assumed that those students enrolled on other than traditional semester, trimester or quarter systems are distributed in relatively the same fashion as those in traditional systems.

As a concluding note, we must observe that estimating the need of these 2.0 million students for student assistance remains beyond the reach of present data. At a minimum, one would require data describing average credit hour charges in institutions of higher education, and the available financial resources of potentially eligible students.

Jim Stedman
426-5860

Mr. FORD. I will state, for the benefit of the panel, that their estimate and their methodology which is explained in the memorandum is that there are presently 2 million students who fall within the five common definitions of half-time, and less-than-half-time students. They have done this by a process of extrapolation that may or may not be valid, but it is probably as good as anything that we have got to work with.

The question that Mr. Breneman raises about the distribution of campus-based funds is something that I suppose we might talk about in this authorization for the first time since the beginning of the program. One of the questions that pops up when you talk about using only SEOG to deal with the phenomenon of the less than half-time is unequal distribution of SEOG funds among institutions.

Probably, that is the least uniform distribution of all the campus-based programs.

It would be missing some institutions entirely if you limited adjustments to only that program, although that does have the appeal of placing the burden for the decision at the very local point of the student and the student aid officer. The institution would have to live with the policy decisions they made to deal equitably with the less-than-half-time student with funds that otherwise would be going into the half-time or full-time student.

That may be a desirable kind of a complication placed in there because it would guarantee, at least, that there would be some kind of localized support for the validity of what they were doing. The other students would not stand for the governing board's wasteful 2-hour course in flower arranging, which is the first thing you hear about in Florida.

So I come back to what our basic problem has always been in talking about the kind of students we are talking about here today, and that is that it has been extremely difficult for people in the education community to focus any attention at all on this type of person.

It is a relatively new activity for this committee to even be talking about them, starting with Mr. O'Hara when he was the chairman of this committee, in any serious sense.

It is going to be very, very difficult, should we propose changes, to respond to Members of the Congress out there on the floor who had no reason to concentrate on these people except for the people sitting at this table who do not have a national lobby that has been working for them. There really ought to be one because they are all voters.

Mr. Packer.

Mr. **Packer.** Just yesterday the president of the National Organization of Women, Ms. Ellie Smeal, testified about the displaced homemaker. That was a large part of her testimony.

She talked about the education benefits for these people who are attending school on a part-time or less-than-half-time basis. So it is an issue that is getting discussed among broader constituencies than simply direct education groups.

You might want to take a look at the testimony that she presented there.

Mr. **Ford.** We had some interesting testimony here today that describes the financial assistance programs of this person that we are talking about in order to try to develop some identifiable characteristics as to why we have this kind of student. Why do we have a lot of them at this time? Why are they predominantly women?

A least, after our recent visits in Japan and China, it is very apparent that one of the things you have to consider is that even our system, when compared to them, has had a cultural bias against women in higher education traditionally, not nearly as great as in Japan, thank God, but there is another kind of bias that is against people going to postsecondary education.

Mr. O'Hara and I have been very much concerned for years, because of the constituencies that we serve, about the fact that it is kind of culturally accepted that working people did not go to college because there were not any resources available. So we may now have, still at this age where they have an opportunity to make clear choices and choices to improve themselves, a substantial number of people who went through the system who might very well have been logical candidates for higher education during the age when they were the so-called traditional student. But the economic barriers were higher then than they are now. So you combine those two things, and you begin to see that people from low income backgrounds and women, for slightly different but interlocking cultural reasons, would make up the bulk of this population, at least for this period of time. An added factor, I suppose, is the impact the recent recession had in some of the heavily industrialized States where people who thought they had rather secure futures ahead of them in industrial employment discovered that it was extremely tenuous, and did not hold much hope of the kind of permanence that they had looked toward.

And we saw it in community colleges, just the migration back to schools, looking for salable skills, primarily.

It is interesting that about 2 weeks ago, this committee was meeting with the Deputy Minister for Education in the People's

Republic of China who described with great concern the amount of regression that occurred in his higher education system in the bad years of the Cultural Revolution. But he popped up with the suggestion that they were not consciously going to try to recapture the loss. They think constantly, from everything they say about the value of higher education to that society, as a total society, and they do not talk in terms of aiding students because it is a nice thing to, but because educated people are very much needed for that backward, by our standards, society that has a tremendous way to go to catch up to where we were some time ago. They very openly acknowledge that they are way behind, but place a good share of the blame for the position they are in immediately on the fact that they virtually dismantled what they did have in place as a higher education system during the 10 years of bad actions of the "Gang of Four" who were responsible for everything bad that happened.

But one of the responses to that is that they have a plan, as they are going forward now with all this reorganization, that was described by one of the people in that group that we were talking to as like being a man walking on two legs.

They have a high regard for the need to educate the older students who had been blocked out during this 10-year period, for improper reasons, from access to intellectual expansion and the exposure to higher education. They regard that group of people as a loss to the society because in that group they suspect are a lot of people who should have gone to colleges and universities who were denied access. They now need them very badly. Because of their age and maturity, they are committed people whom they can profitably recapture.

So they used the expression, as it was translated to us, of being men who walk on both legs to illustrate, I thought, to us that they presently put an equal amount of concern on recapturing this sort of lost generation: potential college-trained people.

With the tremendous job they have of educating the millions and billions of students that are hitting their system, they gave a national test last October for entrance to universities. Six million people showed up to take the test. Only 400,000 were they able to accommodate, which gives you some idea of the difficulty they have in just trying to expand their system to what the demonstrated needs would be.

With all of that pressure on them, they, nevertheless, have made a conscious decision that they, as a society, could not afford to lose the potential of people who did not make it into college when their turn came. As I was listening here today and thinking back to the discussions we have had over the years of who these people are, it appeals to me to hear that, in a very, very pragmatic way, they have recognized that they can lose something very valuable if they do not recapture it.

All of this is getting to the point of asking this panel to get your heads together, and give us a justification for placing an emphasis on these people, an explanation of how they came to be, and who they are, and why they are not just lazy people who suddenly decided they would like to do something in their spare time. I ask this because I am afraid that our biggest problem is going to be getting around the numbers of people involved and what OMB will say, as well as what they will say in response to any of the issues in this direction, and the impact that will have on this very sensitive group of people just trying to balance the budget.

With every amendment that comes on the floor, we are going to have to be able to identify this group of people and their characteristics and their needs. More importantly, this is crucial to us as a country because I keep arguing all the time that we are making an investment in a national resource with this money just the same as we are on irrigation, or highways, or anything else.

We are constantly being put on the defensive because it sounds as if we are handing out money to people for something that never comes back to us.

We assume that giving money to the veterans is a good investment because the veterans then pay more income taxes. Congress has been saying it for years.

We are not able to make that same sort of jump to justify the expenditure of other funds for higher education. So we have to concentrate a little bit on being able to describe the characteristics of these people, explain what it is that they are all about, and what the consequences are to this country in terms of continuing any of the identified needs so well described by you gentlemen this morning.

I guess that is my way of saying I did not really have a question because you all agree so thoroughly with my preconceived notions about what we ought to be doing.

Mr. **Buchanan**. Thank you, Mr. Chairman.

I must say that this is a subject on which there should be some thought. A society which fails to make the most of its human resource robs itself. Whatever society provides in opportunities for its citizens, regardless of sex or age or other conditions, to continue to grow, to advance themselves, to achieve, does itself a great benefit.

I do not know why we cannot understand that in a country like ours at this point.

I would like to echo what the chairman said. We have a vote in progress on a war crimes resolution so we will not have but a minute.

But I would like any responses, which can be brief or, if not, in writing, to the questions and issues raised by Mr. Breneman. I think there are some things we are going to have to face. For example, where do you reach a point of financial returns if, say, the administrative cost of a $50 or $75 grant is more than the amount of the grant?

I would appreciate if any of you could briefly address any of the issues raised.

Mr. **Kurland**. We would be happy to respond in greater detail, but I will make a couple of statements.

Mr. Breneman's point was well made. We are pleased to note that the point was made in the context of the BEOG program because we do not recommend the BEOG program. It is a specialized, complex, formula program that does not have to be used to solve the problem for those people on whose behalf I testified.

The chairman, I think, has answered the question, in part. These moneys are in short supply, and the institutions are not going to waste them, because they cannot afford to and because of the people that they have to answer to on the record. SEOG, during 13 years in existence. is quite extraordinary for its absence of abuse.

I think that the student aid officers, given the opportunity, not required, but given the opportunity to use these, will not dissipate funds, and will keep in mind what the costs are. The simplistic nature with which these funds could be distributed, we suggest, would answer that question.

We will follow that up.

Mr. **Roschwalb**. If I can add one thing, our submission earlier dealt with things like this question in some detail. We will get that back to you.

Not being an expert in financial aid, I am confused with one thing, the problem which is, it seems to me, that you go through the same costs to decide that you cannot give somebody an award that you can go through to decide that you can, and you then just do not give them a check.

I am sure that there are financial aid officers who would quibble with that, but that is something, I think, that we ought to look at first. Speaking of the issue, in New York State, the minimum award of $100 has proved to be cost effective there.

When there is a massive volume of computer processing of grants, it is really not that costly on a unit basis, just a few dollars to process an application. In fact, the student who is under a campus-based program pays it for himself or herself so that if it were to continue, there would not be any cost to the Federal Government anyhow. In fact, usually, it would make a little bit from it.

Mr. **Buchanan**. I have one other thing, and that is the point that the Chairman raised: uneven distribution. I wish you would address that in writing.

Thank you.

Mr. **Ford**. Thank you very much. The committee will stand in recess until Monday in Oberlin, Ohio.

[Whereupon, at 1:40 p.m., the hearing in the above-entitled matter recessed, to reconvene on Monday, May 14, 1979, in Oberlin, Ohio.]

[Material submitted for inclusion in the record follows:]

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May 31, 1979

Congressman William Ford
Chairman
Postsecondary Education Subcommittee
619 House Annex 1
Washington, D. C. 20515

Dear Congressman Ford:

Your Subcommittee recently received testimony from Dr. Larry Leslie regarding the impact upon college tuitions of increases in the federal student assistance programs. At that hearing he presented evidence that recent increases in student aid had contributed significantly, though modestly, to the rate of increase in college tuitions. Although references were made to certain limitations of the supporting evidence, a close reading of the transcript reveals that Dr. Leslie believes that the data are worthy of your consideration as a tentative explanation of student aid's impact on tuition levels. Knowing how quickly myths become facts in Washington and realizing the importance of the issue for higher education reauthorization, I feel compelled to write this response stating at the outset that the analysis as well as the author's discussion of it are seriously flawed and succeed only in confusing matters and, perhaps, misleading your Subcommittee.

I offer for your consideration a contrary proposition that is self-evident to most higher education finance experts -- namely, that tuitions are lower today than would be the case had there been no federal student aid. To suggest otherwise reflects a misunderstanding of the role of federal student assistance in the financing of higher education. Perhaps Dr. Leslie really meant that tuitions are higher today than would have been the case had federal aid been used exclusively to keep tuitions down for everyone. Regardless, the statement that each time Congress appropriates $100 million in student aid public tuitions rise by $4.29 is irresponsible and utterly unverified by the author's analysis.

Although no policy inferences are drawn in the paper, I am sure the author, as well as your Subcommittee, is aware of the possible importance of such a finding. Evidence that student aid has exacerbated tuition increases can be used as an argument for a shift to institutional assistance, minimum level of effort requirements for states, even cost controls on colleges and universities. I am not suggesting that either the author or your Subcommittee favors such actions, or that the actions are unwise, only that the evidence cited thus far is not to be trusted as an indication that such actions are justified.

Now to the analysis itself. To his credit the researcher states that "statistical analyses of this kind really do not disclose cause and effect." However, he goes on to state that the results confirming his "one-third" effect are "encouraging...highly plausible...generally believable" and is "gratified" by them. Also to his credit he reveals, in a footnote, that the 95% confidence interval on his estimate covers a lot of territory -- ranging from student aid having no effect at all to student aid accounting for almost the entire variation in public tuitions. However, this lack of statistical confidence should have led him much farther -- to state unequivocally that the analysis had failed to identify and estimate the independent effect of student aid on tuition levels.

As statistically flawed as the analysis is, it would be a mistake for the Subcommittee to conclude that the main problems are merely technical or that the conclusion drawn is being questioned because it may be unpopular. Although Leslie believes his main problems are the hobgoblins of multicollinearity, autocorrelation and simultaneous equation bias, the real problem goes much deeper. There is no behavioral model. The regression equations are simplistic and do not capture any of the essential characteristics of a complicated system of finance. Time series and cross-sectional data have simply been loaded into regression equations and meaningless coefficients cranked out.

At the risk of belaboring the point, I offer the following example for your consideration. Suppose a philanthropist over a period of years gave an institution a large, steadily increasing sum of money to defer educational expenses but only for disadvantaged students. Suppose further that inflation, large enrollment increases, rising energy costs, and government regulation pushed the cost of providing education steadily upward; and necessitated tuition increases. A simple time series analysis of the period would reflect tuition increases following on the heels of increases in the philanthropist's gift. Is his gift causing tuitions to rise? Would tuitions have been lower had he not made the gift?

Understanding the effect of student assistance on tuition costs is a critical issue for the Subcommittee. We are planning an informal seminar with several high education finance experts in order to discuss this issue more thoroughly. As a starting point we plan to use the following myths -- some widely held in Washington -- as a focus for discussion and analysis.

- That total out-of-pocket expenses for most students have been rising much faster then inflation.
- That student aid behaves like a voucher -- not like institutional assistance paid on behalf of certain students that serves to keep tuitions down while promoting equal opportunity.
- That states have generally and systematically raised tuitions in response to federal student aid so as to substitute federal dollars for state dollars and deprive students of their federal entitlements.
- That institutions have and will continue to raise tuitions or other costs to "capture" student aid.
- That federal student aid programs, (including MISAA) are of a character that require, or provide irresistable incentives for states and institutions to raise tuitions.

Please let us know if you or your staff would be interested in participating in such a seminar.

Sincerely,

William Goggin
William Goggin
Research Economist

WG:jb
cc: Tom Wolanin
Charles Saunders

THE CALIFORNIA STATE UNIVERSITY AND COLLEGES

[illegible] CONNECTICUT AVENUE · SUITE [illegible] · WASHINGTON D.C. [illegible] · [illegible]

WASHINGTON OFFICE

April 23,1979

Ms. Patricia Rissler
Subcommittee on Postsecondary Education
Room 619 House Annex 1
U.S. House of Representatives
Washington, D.C. 20515

Dear Ms. Rissler:

I have enclosed a copy of a memo sent to me by David Leveille, Associate Director for Learning Services Development in our Chancellor's Office. The memo proposed a new Part C to Title I of the Higher Education Act.

I understand Congressman Ford is planning to hold hearings on May 9th regarding finincial aid and educational programs for less than half-time students. Dr. Leveille's proposal appears timely as one means of serving the educational needs of these individuals. It has also been shared with the National Advisory Commission on Continuing Education.

We would appreciate the Committee's consideration of this Title I provision as the hearings proceed on education reauthorizations. Please feel free to contact me if you have questions, or you may wish to contact Dr. Leveille directly:

Learning Services Development
The California State University and Colleges
400 Golden Shore Suite 312
Long Beach, CA 90802
(213) 590-5542

Sincerely yours,

Judith Wortman

Judith Wortman
Director for Federal Relations

JW:jl
Enclosure:
cc: David Leveille

State of California

Trustees of The California State University and Colleges

Memorandum

To : Mrs. Judith Wortman
Director for Federal Relations
Office of the Chancellor
Washington Office

Date: April 3, 1979

From : David E. Leveille DEL
Associate Director
Learning Services Development

Subject: Higher Education Act of 1965: Reauthorization

It has come to my attention that the Higher Education Act of 1965 is now starting through reauthorization hearings. One area of the Act that interests me is Title I. Title I focuses attention on community service and continuing education programs.

Any action you could take (or direct me to the right office) would be appreciated in drawing attention to a proposed revision of Part C of Title I. The University of Mid-America (UMA) has proposed that a new Part C be added to Title I to authorize an appropriation to be distributed as incentive grants, on a competitive basis, to assist developing or existing coalitions or consortia of postsecondary institutions in the production, utilization and evaluation of instructional materials or alternative methods of instruction designed to extend the benefits of postsecondary education to unserved or underserved learners in a cost-effective manner.

Such revision would enable several of our campuses to take advantage of this source of funds, meet the diversity of needs recognized as deserving increased attention and extend educational opportunity to geographically dispersed populations. Encouragement and financial incentive also would be available for program development and resource sharing among campuses not only within CSUC but also between CSUC and institutions in other parts of the country.

The proposal would also encourage existing institutions to develop and utilize alternative forms of educational design and delivery to benefit learners who cannot attend a campus full-time and particularly those for whom attendance on a regular schedule is not possible.

Thank you for any assistance you can provide.

DEL:11

cc: Dr. Stuary Cooney
Dr. Robert O. Bess
Dr. Ralph Mills

State of Illinois
BOARD OF HIGHER EDUCATION

[illegible] REISCH BUILDING
4 WEST OLD CAPITOL SQUARE
SPRINGFIELD, ILLINOIS [illegible]
(217) [illegible]

WILLIAM B. BROWDER
Chairman

JAMES M. FURMAN
Executive Director

May 3, 1979

Dr. Thomas Wolanin
Staff Director
House Subcommittee on Postsecondary Education
House Committee on Education and Labor
House Annex No. 1 - Room 619
Washington, D. C. 20515

Dear Dr. Wolanin:

Enclosed is a copy of my testimony before the hearing of the House Subcommittee on Postsecondary Education scheduled for May 9.

I will look forward to seeing you then.

Sincerely,

James M. Furman

James M. Furman
Executive Director

Enclosure

RELATIONSHIP BETWEEN INCREASES IN STUDENT AID AND TUITION IN POSTSECONDARY EDUCATION

Testimony of James M. Furman Before the
House Subcommittee on Postsecondary Education
May 9, 1979

Mr. Chairman and members of the Committee, I am James Furman, Executive Director of the staff of the Illinois Board of Higher Education. I appreciate having an opportunity to make some comments today about the impact of student aid on tuition policies in higher education.

Trying to assess the impact of student aid on tuition policies is a little like trying to decide whether inflation is caused by a wage/price spiral or a price/wage spiral. There are people who think that higher tuitions lead to increases in student financial aid and there are others who argue that higher student financial aid leads to higher tuitions. Sometimes I suspect that where a person stands on this kind of issue depends quite a lot on where he or she sits.

The Illinois Board of Higher Education sits on two different kinds of chairs where tuition and student aid issues are concerned. On one hand, the Board recommends tuition levels for public universities as part of its budget recommendations, and on the other hand, the Board recommends a maximum award for the Illinois State Scholarship Commission and the total budget for State-financed student aid in Illinois.

In my experience tuition levels are determined by a number of complex factors, including the availability of student financial aid. But it would be an extreme oversimplification to say that increasing the availability of student financial aid leads to higher tuitions. It would also be an oversimplification, of course, to say that there is no relationship between the two. I can say, however, that I have seen little evidence of unwarranted increases in tuition due to the increasing availability of student financial aid.

It might be most helpful if I describe our specific experience in Illinois. Tuition increases for public universities in Illinois require the consent of the Governor and General Assembly because all tuition revenues are appropriated by the State. Every proposed increase in tuition in Illinois, no matter how large or small, has aroused political opposition. The conventional wisdom holds that tuition cannot be increased in an election year and I know of no case in recent experience where an election year increase has occurred. In fact, tuition in Illinois public universities has increased only twice since 1971, largely because the Governor of Illinois from 1973 to 1977 considered tuition a tax and was elected on a platform opposing all tax increases. Congressman Simon may remember how effective that platform was.

Private institutions and community colleges in Illinois are free to establish tuition rates as they see fit. The Illinois State Scholarship Commission provides financial assistance to students in all Illinois colleges and universities, and the maximum award of the State Scholarship Commission has generally been set at about two-thirds the average tuition in private institutions.

Despite periodic increases in the maximum award of the Illinois State Scholarship Commission and despite the infusion of new federally supported student aid through BEOG in the mid-1970's, the average rate of tuition increase for both private institutions and community colleges is identical. Tuition increases for both sectors have fallen slightly below the rate of inflation indicated by the Consumer Price Index. For public universities, of course, the rate of increase in tuition has been far less than the rate of inflation in the general economy. Fees and room and board rates in public universities have grown at approximately the rate of inflation.

I think the major reason that the increasing availability of student aid has not resulted in higher prices is, quite frankly, competition for students. Even with recent increases in student assistance, many students do not qualify for financial aid and many of those who do qualify do not receive all the assistance that they need according to standard needs analysis. Because enrollments are stable and every institution is seeking to protect its share of the market, there is a powerful disincentive to raise tuition when the dollars may not be necessary to maintain the purchasing power of faculty salaries or continue the existing level of service.

We have some evidence that the average tuition in Illinois private institutions increased significantly in "real" dollars, that is, dollars adjusted for inflation, during the 1960's. To me this suggests that the increasing demand for higher education during that period enabled institutions to be more selective, increase their tuitions without worrying about losing students, and most likely upgrade employee compensation and the quality of educational programs. By contrast, during the 1970's the price to students in Illinois has lagged behind inflation, and I think a good argument can be made that the increasing competition for students is responsible for this trend.

There is a relatively minor case in Illinois where the exception may prove the rule. I mention this case because it is quite likely that similar experiences may occur for certain isolated types of institutions across the nation as the Middle Income Assistance Act is implemented.

Several years ago hospital schools of nursing in Illinois became eligible for Illinois State Scholarship Commission awards for the first time. Before their eligibility, hospital schools of nursing had tuition rates that were quite low, close to the levels charged by public institutions. Since then, the tuition rate at these schools of nursing has increased at more than three times the rate of inflation. Now the tuition level in the hospital schools of nursing is low in comparison to private institutions in general, but much higher than it was before State-funded student assistance was available.

I suppose that hospital administrators would suggest that the current higher tuition rates more realistically reflect educational costs that were previously subsidized through patient care revenues. I expect that argument has some validity, but I'm not in a position to either verify or criticize it.

Although I believe the impact of increased federal student aid on tuition rates has been negligible, I would be foolish to suggest that the vast sums of money now being provided by the federal government have no financial impact on the states. I have attached a table to my testimony which estimates the impact of the increased BEOG support in Illinois during the current fiscal year. This table was prepared by the Illinois State Scholarship Commission and is based upon their own analysis of financial aid recipients in Illinois.

We anticipate that support through the Basic Grant Program will increase approximately 50 percent from $80 million to $120 million in the current fiscal year. Of the $40 million increase in Basic Grant support, approximately

$10 million will offset the resource requirements of the State's own scholarship program. This is true in Illinois primarily because the State scholarship program is among the most generously funded in the nation. In effect, the increase in BEOG enabled the State of Illinois to reallocate $10 million from its scholarship program to other needs within higher education. I might add that these other needs, particularly in faculty compensation, have been neglected for a number of years.

Approximately $23 million of the $40 million increment in BEOG funds reduces the unmet need of Illinois State Scholarship recipients. In the current fiscal year the students who received Illinois State Scholarship Commission awards had an estimated unmet need of over $83 million after federal and State financial aid is provided. The Middle Income Assistance Act enables the amount of unmet need to be reduced from $83 million to approximately $60 million. Institutional student aid will further reduce, but not eliminate, the unmet need.

The remaining $7 million of the $40 million increment will assist students who do not qualify for aid under the relatively conservative Illinois State Scholarship Commission needs analysis and students from other states who are not eligible for awards from the Illinois State Scholarship program.

Let me conclude by making one or two general observations and one suggestion for the future of federal student aid programs. In general, we have seen little evidence that the level of tuition charged by institutions has been appreciably increased by the growing availability of student assistance. Despite the increasing availability of student aid during the 1970's, the competition for students has tended to restrain institutions from dramatic increases in the price of tuition and fees. Quite possibly the rate of tuition increases might have been lower had student assistance not been available; this, of course, would have resulted in further declines in the "real" dollar revenues of higher education. If the tuition increases that have occurred had not been offset by student aid, I expect we would have experienced lower enrollments.

The major impact of the Middle Income Assistance Act in Illinois has been to reduce somewhat the resource requirements of a generously funded State scholarship program and, to a larger extent, to reduce the unmet need of students receiving financial aid from federal and State programs. In states with a less generously funded state scholarship program I would expect that the primary impact of the Middle Income Assistance Act would be to reduce the unmet need of students receiving financial assistance and to enable previously ineligible students to receive aid.

Although I do not believe that the current levels of student assistance are stimulating unwarranted, inflationary increases in tuition and fees, I will concede that at some level, perhaps not far away, such a phenomenon might occur. A relatively simple approach to preventing inflationary tuition increases is to regulate the size of the maximum award. In Illinois, the rate of increase in tuition in private institutions has been controlled somewhat by regulating the level of the maximum award from the Illinois State Scholarship Commission. Presumably, future increases in the rate of tuition can be controlled simply by limiting increases in the maximum award from the Basic Grant program to the general rate of consumer price inflation in the economy.

ESTIMATED IMPACT OF INCREMENTAL
BEOG FUNDS IN ILLINOIS, FY1980

Reduction in ISSC Requirements	$ 9,458.0
Reduction in ISSC Recipients Unmet Need	23,362.0
Public Universities	10,880.0
Private Institutions	5,901.0
Public Community Colleges	6,581.0
New Award Winners Not Eligible for ISSC	5,767.2
Public Universities	3,330.4
Private Institutions	202.6
Public Community Colleges	2,234.2
Other (students from other states)	2,096.8
Total Incremental Funds	$40,684.0

THE UNIVERSITY OF THE STATE OF NEW YORK
THE STATE EDUCATION DEPARTMENT
ALBANY, NEW YORK 12234

FINANCIAL AID AND THE ADULT LEARNER:
FEDERAL AND NEW YORK STATE STUDENT AID PROGRAMS

Summary of Federal Programs

by

Robert Purga
Staff Associate

January 24, 1979

*The full report may be obtained from Adult Learning Services, New York State Education Department, Albany, New York 12234

This paper was prepared with partial support from College Board and does not necessarily reflect the policy of the New York State Education Department or the College Board.

Adult learners are pursuing lifelong education in record numbers. In New York State, one of every three degree-credit postsecondary students and close to half of part-time students -- are 25 years or older.

Yet adults have received only limited student financial assistance to support their studies. Though part-time students represent about 30 percent of all undergraduate students seeking degrees in New York State (and about 25 percent of those attending at least half-time), they received less than 6 percent of the $529 million in federal student aid and only about 1 percent of $206 million in State student aid distributed to New York State students in 1976-77.

National data shows that where more than half of all "traditional" full-time students receive some federal aid, this is true of less than one of every five part-time students. And much of this comes from the G.I. Bill.

This paper briefly identifies a number of implicit and explicit barriers common to federal and New York State student aid programs that effectively limit the number of adults receiving student aid and the amounts that they receive. Analysis is limited to the thirteen aid programs listed in Table 1 and includes the impact of the Middle Income Student Assistance Act (MISAA).

The barriers are grouped into the following three types, each type reflecting a separate aspect of the aid process:

1. Student Eligibility: First, the adult must meet a number of basic eligibility criteria.

2. Financial Need: Secondly, the adult must demonstrate some amount of financial need under at least one of three basic need analysis systems in New York State.

TABLE 1

A Description of Federal Student Aid Programs

FEDERAL PROGRAMS

PROGRAM NAME	PROGRAM ACRONYM	PROGRAM DESCRIPTION
1. Basic Educational Opportunity Grant	1. BEOG	1. Provides direct grants of up to $1,800 to students showing financial need.
2. Supplemental Educational Opportunity Grant	2. SEOG	2. A campus-based program providing grants of up to $1,500 to students with "exceptional" financial need.
3. College Work-study	3. CWS	3. A campus-based program which pays 80 percent of the wages of students with "great" financial need.
4. National Direct Student Loan	4. NDSL	4. A campus-based program providing low interest (3%) loans to students "in need."
5. Guaranteed Student Loan	5. GSL	5. Private lenders provide low interest (7%) loans. In New York State, interest subsidies are paid by the federal government and the loans are guaranteed by the State.
6. State Student Incentive Grant	6. SSIG	6. The federal government provides funds to states as an incentive to establish or expand need-based grant programs. In New York State these funds have been incorporated into the TAP program.

TABLE 2

A Description of New York State Student Aid Programs

PROGRAM NAME	PROGRAM ACRONYM	PROGRAM DESCRIPTION
1. Tuition Assistance Program	1. TAP	1. Provides direct grants of up to $1,800 to students with "substantial" financial need.
2. Higher Educational Opportunity Program	2. HEOP	2. Provides grant aid and supportive services (remediation , counseling and tutoring) to "educationally and economically disadvantaged" students in private and independent colleges.
3. Educational Opportunity Program	3. EOP	3. Provides grant aid and supportive services to "educationally and economically disadvantaged" students enrolled in the State University of New York (SUNY).
4. Search for Equality and Education through Knowledge	4. SEEK	4. Provides grant aid and supportive services to "educationally and economically disadvantaged" students in four-year colleges of the City University of New York (CUNY).
5. College Discovery	5. CD	5. Provides grant aid and supportive services to "educationally and economically disadvantaged" students in CUNY two-year colleges.
6. Tuition Deduction	6. None	6. Each full-time dependent may receive a tax deduction of either (a) one-half of tuition expenses less TAP awards or (b) $1,000 -- whichever is less.
7. Parent's and Student's Savings Plan	7. PASS	7. Allows families to establish a higher education trust fund for each dependent enrolled full-time or under the age of 21. Annual contributions up to $750 are tax deductible.

3. *Actual Acquisition*: Finally, the "eligible," and "needy" adult must "successfully negotiate the administrative path" required to actually get the aid in hand.

Throughout, two caveats should be kept in mind. First, many of the barriers are only *indirectly* related to age. An adult, with low income, who is financially dependent, and is studying full-time in a daytime degree program at an eligible institution, would probably have little difficulty finding aid. Few, if any, adults, however, fall into this category.

Finally, the lack of data preclude an adequate assessment of whether the current distribution of aid is, in fact, equitable. At present, we don't know: a) how many adults now receive aid; b) how many current or potential adult students qualify for aid; c) how many adults were denied aid, for what reasons, and with what effect; and finally, d) the extent that adults can meet their "financial need" through other sources of aid. One in four receives some private assistance, for example.

The evidence that is available suggests that aid is important to many adult students.

We know, for example, that the cost of education is consistently reported as a major barrier by present and potential adult students, that part-time degree students generally have lower family income and are more affected by changes in tuition than are full-time students, and that the "typical" adult participant in all types of postsecondary learning is relatively affluent, relatively well-educated, employed and white

Further, while participation rates are increasing among adult learners with family incomes over $10,000, the rates are declining among minorities and adults with incomes of less than $10,000. Returning adult women have particular difficulty in meeting the costs of postsecondary education.

Finally, according to the National Commission on Nontraditional Study, more than 56 percent of adults with interest in more education find that the costs of books, learning materials, child care and transportation have kept them from learning what they want and need to know.

With these caveats in mind, we will now briefly review the three types of barriers.

1. ELIGIBILITY CRITERIA.

Students must meet a number of basic eligibility requirements before receiving aid -- regardless of "financial need." Though requirements vary across programs, the following four eligibility requirements limit adult participation in federal and State student aid programs:

A. Attendance Status: The exclusion of part-time students from aid eligibility has been termed "one of the most severe barriers" to adult students in need of financial assistance. TAP, PASS and the Tuition Deduction program only provide aid to full-time students, thus, excluding two of every three degree-credit adult students in New York State. The remaining federal and State programs provide aid to part-time students only if attendance is half-time or more (at least six credit-hours). More than 55,000 adult students in the State who are believed to be studying less than half-time are ineligible for any student aid -- State or federal.

Further, those State programs that provide aid to part-time students are generally designed for full-time students and place special restrictions on part-time aid. Though New York State has the largest "need-based" student aid program of any state in the nation, the federal programs provide an estimated 98.5 percent of all aid to part-time students in the State.

Frequently, it is argued that the exclusion of part-time students is justified because they are (1) less committed or (2) have less "financial need" than traditional students with heavier course loads. Yet studies show that time demands of family and work responsibilities prevent many adults from studying at even half-time levels and that those who do increase their credit load to become eligible for aid are often heavily burdened. Part-time students are not simply traditional students with lighter loads, but are older, busier, and facing real barriers to furthering their education. They are also meeting the same academic standards as full-time students.

Bowman points out that a showing of "commitment" -- of being "genuinely interested" in seeking education -- is rarely asked of students who enter college directly from high school.

While it does take longer for a part-time student to complete a degree and that a number of adults do drop out, it is also clear that the cost of education is cited by part-time students as a major reason for delaying or terminating their education. That many "traditional" full-time students fail to complete degrees is seldom used as an argument for withholding aid from all full-time students showing "financial need".

As to the "financial need" of part-time students, there is no reason, in principle, to use attendance status as a screen of "financial need". Not only is enrollment cost one of a number of factors already assessed by current measures, but a student's ability to pay and the number of credit-hours taken are not perfectly correlated. A part-time student can show greater "need" than a full-time student, and a less-than-half-time student more than one attending half-time or more.

In actuality, the arguments about "financial need" boil down to how much it will cost to expand eligibility. Estimates for removing the half-time limitation under BEOG run from $60-70 million, though the changes under MISAA could substantially raise this cost. Estimates range from $100 million to $265 million for the remaining federal programs (NDSL, SEOG, CWS, and GSL). One first step might be to expand SEOG at an estimated cost of $20 million.

Expansion of aid to less-than-half-time students would benefit those adults who now feel completely barred from college because of limited time or resources. Returning adult women, juggling work, education, and family responsibilities would especially benefit. "Disadvantaged" adults or adults returning to education after a number of years would be able to receive aid and reduce their courseloads-- an option that is now precluded.

Finally, interviews with aid directors and adult counselors in New York State suggest that small, subsidized, short-term loans would help less-than-half-time adult students with low income and nonliquid assets, with seasonal employment, or in employer-sponsored education programs which reimburse the employee only upon course completion.

B. Enrollment in an Eligible Program.

A second set of provisions act to the disadvantage of many adult learners. Students must be enrolled in "eligible programs" of study to receive federal or State student aid. According to the federal regulations, an "eligible program": (1) leads to a degree or certificate, (2) is at least six months or one-year in length, depending upon the type of institution, and (3) admits as regular students only those persons who are beyond the age of postsecondary school attendance and can benefit from the education or training offered. Requirements for State programs are generally similar.

The "eligible program" restriction, more than any other set of provisions demonstrates the expanded role of postsecondary education in the "learning" society. Whereas the majority of "traditional" postsecondary learners may have pursued education within the framework of an eligible program in the 1960's and early 1970's when program regulations were initially formulated, this is true of only about one-fifth (and estimated 17.6 percent) of adult learners today.

Adults not only show a broader range of learning interests than is currently served by degree-credit study, but the interest in credentialized learning itself often declines with age. The greatest desire for credit, diplomas or other forms of credentials is reported by learners under age 25, and a growing number of adults now enroll solely for personal or cultural advancement, without matriculating in a degree program.

The notion of a single career line no longer holds. The average worker changes jobs six-to-seven times in the course of a lifetime and changes occupations two-to-three times. One of every three adults is now in career transition (actual or planned). Yet many adults seeking to re-tool for new jobs or even update current job skills find degree-credit requirements and long-term time commitments (six-months or more) inappropriate. Other workers, stuck in "dead-end" jobs, turn to education for personal enrichment.

The degree requirement alone excludes more than half the adult learners enrolled in postsecondary institutions in the State. This includes as many as 142,000 adult learners pursuing credit study outside of a degree program, and 78,000 adults enrolled in non-credit courses (Fall, 1977). Looking beyond the campus, an estimated 435,000 adult learners are enrolled in non-credit programs sponsored by employers, unions and other non-educational organizations in the State -- more than the number of adult undergraduates in the State. While employer tuition assistance may finance tuition costs for many workers, such assistance often covers only a few courses, rarely includes living costs, and is not equitably available to all workers. More importantly, only a small percentage of workers actually use this aid, partly because of the built-in limitations and frequent requirement of an initial cash outlay by the student.

Restructuring existing aid programs to accommodate these new groups of adult learners would be a major policy change and would require a decision about what portion of the vast array of the educational experiences available to adults is worthy of public support. (Do we include all such experiences? Only those that contribute to increased income or a higher level job? What about learning for personal enrichment or recreation?)

C. Attendance At An "Eligible" Institution.

Federal and State student aid programs only fund students who are enrolled at an "eligible" institution -- an "institution of higher education."

A brief look at the eligibility restrictions shows that student aid is already available at many "non-traditional" institutions serving adults. A growing number of adults are receiving aid under BEOG and GSL to finance their education while they are in prison. One of every three students enrolled at proprietary schools in New York State is an adult and can receive all federal aid and TAP if the school is accredited. BOCES-- a network of New York State area vocational technical schools -- serves about 3,000 adult postsecondary students who are eligible for CWS.

Yet, because of differing eligibility rules, institutions may be eligible under some programs and not others. Less than 40 percent of the State's proprietary schools are eligible for the complete package of federal and State student aid. Students at BOCES are only eligible for CWS.

Even more importantly, "eligible" institutions serve only 28 percent of the 64 million postsecondary adult learners in the nation -- only one of every four adults. The bulk of postsecondary adult learning takes place in non-school settings (the home, museums, libraries, churches, the workplace, trade unions and recreational centers) -- places which are generally "ineligible" from the standpoint of federal and State student aid support.

The federal role in financing non-formal learning is unclear. BEOG and GSL already provide aid for "learning-at-a-distance" -- external degree, independent study, and correspondence programs sponsored by "eligible" institutions.

At the same time, there is a growing concern about the dangers of too much intervention.

What is clear is that current access to non-formal education is over-represented by affluent learners who can afford to pay their own way. Many adults cannot or prefer not to take advantage of education in "traditional" settings. Disadvantaged adults report that they are "turned off" by traditional schooling and favor the home and community settings as learning sites. A similar preference is reported by older adults in New York State.

The issue of institutional eligibility suggests that financing the full range of adult learning may entail more than just a simple expansion of existing aid programs. One possibility might be to better coordinate existing public and private resources into a "lifewide" pattern of financing.

D. Award Limits.

The fourth, and final, set of eligibility restrictions limit the duration and amount of aid awards. The provisions primarily affect part-time students and will become more important as the changes in BEOG under the MISAA enable more adult learners to receive aid.

The first limit restricts BEOG and SEOG awards to four years of full-time study or the equivalent, or until completion of a bachelor's degree -- whichever comes first. Yet degree programs in New York State generally require 120 credits for completion, or five years of full-time study at 12 credits each semester. In practice the vast majority of full-time students complete their degree within four years by taking an average of 15 credit hours per semester. Many adult students, however, cannot increase their credit load, and may be caught by the limitation within a few years (BEOG was not opened to part-time students until 1975). Most students and aid officers are unaware of the limitation. Adults who could be planning to take additional credits, arrange for additional financing, or make up the additional year through CLEP or CPEP are currently not doing so.

Closely related is the question of whether support should be so closely linked to terminal degrees. The adult learner who has exhausted aid eligibility when young, yet is stuck with obsolete skills or seeks education in retirement, may find aid limited to CWS (the only federal program with no ceiling on total aid). The problem will become increasingly important as the highly educated "baby boom" seek new educational opportunities.

BEOG further limits the basic grant if a part-time student's credit-load does not exactly equal half-time or three-quarter time status. The student who enrolls for more than six credits (half-time) but less than nine (three-quarter time status) is considered a half-time student and receives an award computed to reflect half-time status. The part-time student who enrolls for eight credits each semester in effect loses one full year of BEOG entitlement, and may have to finance up to two full years if hit by the four year limit. In short, the part-time student who pays by the credit-hour is awarded only part of demonstrated need. The full-time student pays by the semester and is not charged for more than 12 credits. Wagner estimates that 88,000 part-time students received award reductions in 1976-77. Thousands more will be affected as the MISAA takes effect.

Finally, beginning in 1979, students who qualify for a basic grant of less than $200 receive no award. This primarily affects the adult student for three reasons. The majority enroll part-time, often at low cost public institutions. Lower tuition costs means that more adults are likely to reach the $200 cut-off. Second, most adults are financially independent and have greater difficulty demonstrating "financial need" under the BEOG formula than do "traditional" age dependent students. Finally, many adults may already have their awards reduced if their credit-load falls in between the half-time, three-quarter, and full-time categories.

II. FINANCIAL NEED.

Adult learners meeting the basic eligibility criteria must demonstrate some amount of "financial need" to remain eligible for State or federal student aid. Though a showing of "need" is not a guarantee of aid (see the next section), the requirement does provide a simple, direct method of targeting those students who would most benefit from the aid -- at least in principle. In practice, the need analysis systems developed to assess "financial need" are one of the biggest constraints to adult participation in existing aid programs. Many adults simply cannot show enough "need" to qualify for any aid. When "financial need" can be demonstrated, it is often at too low a level to receive a basic grant (the $200 award cut-off) or to compete with "traditional" age dependent students for scarce campus-based student aid funds (CWS, SEOG, and NDSL).

Part of the reason is that adult learners generally have higher levels of assets and income than do "traditional" dependent students (and higher financial obligations). Yet even when income and assets are equal, the dependent student can demonstrate more "financial need" than the financially independent adult because of the way the need analysis formulas are set up. The difficulty stems from the fact that most adults are financially independent. Both the BEOG formula and the Uniform Methodology (the system used by the private need analysis agencies and most institutions in the State to calculate "financial need" for the federal campus-based programs) underestimate allowable expenses and overestimate the available resources that the adult learner has relative to the "traditional" age dependent learner.

A. Allowable Educational Expenses.

The expenses of the adult learner generally do not differ in kind from those of the "traditional" 18-to-22 year old dependent learner. Rather the issue is which portion of these expenses are related to education and, thus, within the scope of need analysis calculations.

Both the Uniform Methodology and BEOG formulas resolve this issue by placing a ceiling on the total amount of living costs that will be allowed for independent students. Under the Uniform Methodology, each institution constructs an independent student budget with allowable expenses and submits the budget to the private need analysis agencies. A national estimate of a "low" standard of living is used if no budget is submitted. BEOG uses a fixed budget that is more stringent.

No institutional discretion is involved.

When applied to New York State, with its high cost of living, the fixed standards are so low that they barely qualify a family for public assistance. As Bowman points out, the standards were originally developed to serve the typical self-supporting student of the late 1960's and early 1970's: "young, single or recently married, without an established life-style, and willing to devote all of his or her personal, academic and financial resources to the pursuit of postsecondary education." With more and more adult students pursuing postsecondary education (especially as the MISAA takes effect), this assumption has become increasingly inaccurate.

However, even where institutional discretion is involved in the Uniform Methodology, evidence suggests that one of every three institutions in New York State does not submit its own budget which would reflect the higher local costs at the institution and in the State, and that many institutions that do construct budgets neglect such items as child care costs. Others deflate their budgets so that living costs do not appear to be greater than the aid that is available at the institution.

The MISAA did begin to address the level of subsistence costs allowed under BEOG by raising the allowance for single independent students to poverty level. The allowance for independent students with dependents was not changed and remains at poverty level.

This brief analysis shows that where expenses are concerned, the Uniform Methodology -- the system used by most institutions for the campus-based programs (NDSL, SEOG, and CWS) -- generally provides a greater allowance for the expenses of the independent student than does the BEOG formula, though this allowance varies by institution.

Finally, the State programs do not provide additional allowances for living costs. TAP only covers tuition. PASS and the Tuition Deduction exclude independent students altogether and the remaining programs generally use the Uniform Methodology.

B. Calculation of Available Resources.

Once allowable educational expenses have been established, the next step in determining "financial need" is to calculate the resources that the student and the student's family is expected to contribute toward meeting these expenses. When costs exceed resources, the student has demonstrated "financial need."

Both the Uniform Methodology and the BEOG formula expect that the independent student will contribute a greater share of available resources toward meeting educational costs than is expected from the dependent student. The key difference between the two systems is in the treatment of assets and income.

Under the Uniform Methodology, the independent student is expected to contribute 100 percent of all available resources -- assets and income alike -- before the student qualifies for financial support. When the student is dependent, on the other hand, only a fraction of the family's available resources is applied against educational expenses.

As a result, under the Uniform Methodology, a family of three with net assets of $10,000 and an income of $12,000 would be expected to provide $698 if the student is a child, but $3,008 if the financially independent father is the student. When assets are raised to $30,000, this amount is doubled for the child and more than tripled for the father.

With the passage of the MISAA, BEOG has substantially liberalized the amount of available assets that the independent student with dependents (those who are married or have children, for example) is expected to pay for his or her education. This amount is now the same as that expected from dependent students. The result, when this change is actually funded, will be that thousands of adult learners, previously unable to demonstrate "financial need" will now become eligible for BEOG--truly a landmark step.

While the treatment of assets has been equalized, the MISAA has, in fact, widened the disparity in the assessment of income for independent and dependent students. Dependent students are now expected to contribute 10.5 percent of available income -- a substantial liberalization. In contrast, the treatment of independent student income has remained unchanged. Instead of 10.5 percent, the independent student is expected to provide: (1) 75 percent of available income if the student is single; (2) 50 percent, if married with no dependents other than spouse, and (3) 40 percent if there are dependents other than spouse.

The BEOG formula, like the Uniform Methodology, still preserves the concept that independent students should contribute a greater share of resources toward postsecondary educational expenses.

In summary, the methods of determining "financial need" are important barriers to adults seeking aid for education. An adult student who is unable to demonstrate "financial need" cannot receive aid, regardless of the amount of additional money that is poured into existing aid programs, and regardless of the student's actual inability to meet the costs of education. While MISAA will expand BEOG support to the adult learner, it has also created inconsistencies between BEOG and the Uniform Methodology. An adult learner with middle income resources will now demonstrate the most "financial need" under BEOG; a disadvantaged adult with low income and few assets will probably qualify for more aid under the Uniform Methodology, though actually getting this aid in hand is quite difficult (see the next section). Since institutions can use either the Uniform Methodology or BEOG -- though not both -- for their campus-based programs, an adult could be ineligible for aid at one institution and still demonstrate "financial need" at a nearby institution using a different system. These differences may be difficult to explain to an adult seeking aid.

III. THE ADMINISTRATION OF AID.

Once the basic eligibility criteria have been met and some amount of "financial need" demonstrated, the student -- in principle -- has qualified for aid. In practice the adult learner still faces the administrative obstacles associated with actually getting the aid in hand. There are three general hurdles: (1) getting accurate information about aid and aid eligibility, (2) successfully applying for aid, and (3) acquiring aid under programs where institutions have the discretion to select those students that will be funded.

A. Information About Aid Eligibility.

Most aid information is currently geared to serving the recent high school graduate and the full-time student. The adult who has been out of school for some time, lacks a high school diploma, or seeks to study part-time often has difficulty getting accurate and full information about program provisions.

Part of the problem lies in the complexity of the aid regulations. A number of provisions that apply to adult learners are almost "hidden" in the regulations and require interpretation by someone familiar with program terminology and operation. College catalogues and other aid brochures rarely make these provisions explicit and misinterpretation is common even among financial aid counselors.

For example, "eligible" undergraduates are entitled to four "full" years of BEOG funding, meaning that an otherwise eligible adult could spread BEOG payments over as many academic years as it takes to equal this amount or complete a bachelor's degree. Yet aid counselors interviewed at eight of eighteen institutions in New York State reported that BEOG eligibility was limited to four academic years, period. Part-time students at these institutions were incorrectly informed that they were eligible for only a fraction of their actual BEOG entitlement. The same misinterpretation was found at the toll-free BEOG information number.

The other side of the problem is that adult learners often seek aid information from a variety of "nontraditional" sources -- libraries, brokering agencies, educational opportunity centers, CETA programs, community "linkers," neighbors, and so forth --where knowledge of aid regulations is not a primary mission. Supplying accurate and clear information to these sources is a major challenge that is now even more important given the changes in BEOG, GSL, and the campus-based programs under MISAA. Certainly an advertising campaign should recognize that adult learners have expanded access to aid and should gear information to the adult learner and "non-traditional" sources of aid information.

A second area of information is "financial need" eligibility. Even adults who are aware of aid programs often assume that only people on public assistance or full-time students can show enough "need" to qualify for aid. Enabling an adult to determine his or her "financial need" quickly instead of waiting the six-to-eight weeks it now takes to process an application would be one way of dealing with this problem. A number of institutions in the State now use programmable desktop calculators to provide a "free" estimate within fifteen minutes.

B. The Application Process.

The "eligible" adult learner, once aware of possible assistance and his or her own aid eligibility, must still master a complex application process. In New York State this involves at least three forms and two separate deadlines. This process poses a major barrier to the adult who is outside of a counseling and information network. Simplification and "de-jargonization" of aid forms, the development of an educational information center network, and expanded training of counselors are only a few alternatives that could ease this process.

C. The Disbursement of Aid.

All adults who are eligible and apply for TAP or BEOG, receive aid. Under the campus-based programs, institutions have the discretion to decide which "eligible" students will receive awards, the type and amount of aid received. Eligible lending institutions have similar discretion in awarding GSL. In practice, this means that the part-time adult must compete for limited funds with dependent, full-time students. Though estimates suggest that part-time students are almost twice as likely to receive BEOG than CWS, NDSL, SEOG or GSL, the explanation is more complex than simple discrimination.

First, funds are scarce. New York receives less than half of the campus-based aid requested. The three statutory formulas used to allocate the aid to states are based upon the number and proportion of children under age 18, the number of high school graduates, and the number of full-time postsecondary students. Eligible part-time students are not uniformly taken into account.

Further, evidence suggests that public two-year colleges -- institutions which enroll large numbers of adults in New York State -- often do not participate in or underparticipate in the campus-based programs -- again, limiting the aid available.

Finally, institutions often exclude part-time students from campus-based aid, regardless of demonstrated "financial need." Others require a greater "self-help" expectation than is expected from "traditional" age, full-time students. About one-quarter of the institutions in the State report a separate packaging policy for the adult student --one that emphasizes loans instead of grant aid.

These policies are currently well within the broad scope of discretion that institutions have in distributing campus-based aid. Eligible lending institutions have similar discretion in providing guaranteed student loans. Under GSL, however, middle income adults with good credit ratings may be at an advantage. The same may not hold if the adult seeks part-time study or is relatively disadvantaged.

In any case, the adult learner has a clear interest in knowing if such discretionary policies exist and the impact on acquiring aid at the institution. The adult turned down at one institution may incorrectly assume that he or she is ineligible at every institution in the area. Many are unaware or not made aware of such policy differences. The decision to make such policies public would be a new departure in student consumer information. Further discussion is beyond the scope of this paper.

In summary, these administrative issues are difficult to pin down yet extremely important in looking at possible adjustments in current aid programs. Simply expanding eligibility or pumping more money into the campus-based programs will not guarantee that adults will be served. Even changes in need analysis procedures may have little effect on the distribution of campus-based aid given the assumptions that aid officers make about part-time and adult students.

Finally, expanding financial aid to adult learners is not a panacea. Aid will not help unless adults know about their increased eligibility and have access to information and counseling. Providing information and financial aid will have limited impact unless learning programs meet learner needs. Finally, few of these changes will make a difference if adult learners are "turned off" by further education -- as are 65 percent of all economically and educationally disadvantaged adult learners. About 74 percent of adults between age 55 and 64, and 98 percent of those over age 65, report no immediate interest in continuing their learning after high school. Many have bought the myth that they are "too old to learn."

THE UNIVERSITY OF ARIZONA
TUCSON, ARIZONA 85719

COLLEGE OF EDUCATION
OFFICE OF RESEARCH AND STUDY IN HIGHER EDUCATION

June 25, 1979

Congressman William Ford
Chairman
Postsecondary Education Subcommittee
619 House Annex 1
Washington, DC 20515

Dear Congressman Ford:

I am in receipt of William Goggin's June 14 letter to you. My only comment is in regard to his basic criticism of the analysis as illustrated by the example of the philanthropist: The analysis would not yield the conclusion Mr. Goggin states because the variables cited are controlled for.

Sincerely,

Larry L. Leslie
Professor of Higher Education

LLL:ma

CC: Newton Cattell
Jerold Roschwalb
Charlie Saunders
Jack Tirrell

STATE HIGHER EDUCATION
EXECUTIVE OFFICERS ASSOCIATION

1978-79 President
WILLIAM ARCENEAUX
Commissioner of Higher Education
Louisiana Board of Regents
One American Place, No. 1530
Baton Rouge, Louisiana 70825

SHEEO

1978-79 President-Elect
JAMES M. FURMAN
Executive Director
Board of Higher Education
500 Reisch Building
4 West Old Capital Square
Springfield, Illinois 62701

June 1, 1979

The Honorable William D. Ford
Chairman, Subcommittee on Postsecondary
  Education
U.S. House of Representatives
619 House Office Building
Annex 1
Washington, D.C. 20515

Dear Mr. Chairman:

In response to your request, the State Higher Education Executive Officers (SHEEO) submitted to you on February 15, 1979,proposed language for amendment of several provisions of the Higher Education Act.

In reviewing that proposed language, the Federal Relations Committee identified one provision which, if enacted, could result in serious disincentives to states to maintain and increase their own student assistance programs. The proposed language in question amends the allotment formula for the Supplemental Educational Opportunity Grant Program (SEOG), and appears on Page 67 of Part 2 of the committee print entitled, "Legislative Recommendations for Reauthorization of the Higher Education Act and Related Measures."

The second part of the proposed two-part allotment formula would allocate one-half of the funds among states on the basis of "unmet need." This is defined as "the cost of education remaining after all grants, expected self-help, and expected parental contributions have been deleted."

The SHEEO policy statement on this subject, a copy of which is enclosed, reads as follows:

> Unmet need should be calculated by subtracting parental contributions, self-help requirements and federal student aid payments including BEOG, the G. I. Bill, and Social Security.
>
> If state and institutional grant funds are deducted before calculating the amount of SEOG and work study funds needed, there will be a negative incentive to both institutions and states to operate, or expand, their student assistance programs. The current method of federal allocation to states of funds for campus based programs does not lead to an equitable allocation of funds among states. The computation of unmet need at the institutional level is currently being developed by regulation. The law should be modified so that the total unmet need in the state, defined as indicated above, will be used for allocation to states. (pp.20-21).

In line with this position, the definition of unmet need for the purposes of the allocation formulas for both the SEOG and College Work Study Programs should be as follows:

> For the purposes of this clause, unmet need is defined as the cost of education to students remaining after deducting any amounts paid to, or on account of, students under the Social Security Act, any amounts paid to students under Chapters 34 and 35 of Title 38, United States Code, and any amounts paid to students under Subpart 1 of this part, expected self-help, and expected parental contributions. State and institutional assistance to students shall not be deducted from the cost of education to students for the purposes of determining unmet need.

This revised language reflects a fundamental position of SHEEO regarding the allocation of federal student assistance funds and I hope that this correction will be brought to the attention of all members of the Subcommittee.

Thank you for your consideration.

Sincerely Yours,

William Arceneaux

William Arceneaux
Commissioner of Higher Education, Louisiana Board of Regents
President, State Higher Education Executive Officers

WA:mb

enc.

ncwge National Coalition for
Women and Girls in Education

June 8, 1979

The Honorable William Ford
2368 Rayburn House Office Building
Washington, D. C. 20515

Dear Congressman Ford:

On behalf of the undersigned members of the National Coalition for Women and Girls in Education, I am writing to express our strong support for extending eligibility for Federal student assistance programs to students attending on a less than half-time basis. We would appreciate having this letter entered in the record on the hearings that your Subcommittee recently held on this subject.

The Coalition believes that the current provision of law which limits financial aid only to those enrolled on at least a half-time basis serves to discriminate against women. Older women, enrolled on a part-time, and often less than half-time basis, are rapidly increasing their enrollment in colleges. According to the National Center for Education Statistics, from October 1972 to October 1976, the number of females aged 35 and over in college jumped by 67.5 percent, from 418,000 to 700,000. The most recent issue of the College Board Review notes however, "...financial aid is still tailored to the traditional college age student, and some women's groups assert that independent and part-time women students suffer disproportionately from the present limitation of BEOG's and other forms of aid to students who are able to consistently devote a great deal of time to their education."

Women attending college on a less than half-time basis often do so because it is the only practical way they can obtain any college education. Many of them suddenly find themselves in a new role as head of household and in need of training that will allow them a greater chance for useful and gainful employment. Yet with this new responsibility often comes financial burdens and time constraints that do not permit a full time college program. For some women, less than half-time study is often the only viable option, while in other cases, financial burdens prevent women from enrolling in any program. Child care expense is a familiar example of the kind of financial barrier that prevents women from seeking additional education. Federal student assistance will greatly aid these struggling women.

The Coalition also believes that other provisions of law which have a disproportionately adverse effect on women must be amended. Among these provisions is the harsh and inequitable treatment of financially independent students with their own dependents.

We recognize that the Middle Income Student Assistance Act (MISAA) solves this problem by treating the assets of these individuals the same as those of a dependent student's family. However, current law and regulations require such students to contribute between 40 and 50 percent of their discretionary income toward their education, while a family of a dependent student must only utilize 10.5 percent of their discretionary income.

The Coalition hopes that you and your Subcommittee will recognize the necessity of these changes. Without them, we may well prevent large numbers of women with limited incomes

to strengthen national policy and practices concerning women and girls in education

from taking advantage of learning programs which will enrich their lives and increase their skills for learning purposes.

Sincerely,

Barbara Warden

Barbara Warden,
Chairperson

On behalf of:

American Association of University Women
American Home Economics Association
Association for Intercollegiate Athletics for Women
National Association for Women Deans, Administrators and Counselors
National Commission on Working Women
Project on the Status and Education of Women, Association of American Colleges
Sociologists for Women in Society
U. S. Student Association
Wider Opportunities for Women

cc: Members of House Postsecondary Education Subcommittee
Tom Wolanin
Bill Clohan

UNITED STATES ASSOCIATION of EVENING STUDENTS

Please reply to:

Anthony F. Farma
53 Farragut Road
So. Boston, MA 02127

June 7, 1979

Ms. Patricia Rissler
House of Representatives
Committee on Education and Labor
Subcommittee on Postsecondary Education
619 House Office Building Annex #1
Washington, D.C. 20515

Re: Testimony "Less than half-time"

Dear Pat:

Please let me take this opportunity to thank you for your valuable assistance. Enclosed is the testimony for U.S.A.E.S. concerning the May 10th hearing and we appreciate your flexibility regarding the time sequence. We will be submitting further testimony concerning the Guaranteed Student Loan Program, National Direct Student Loan Program and College Work-Study in the near future.

Thanks again for your cooperation.

Sincerely,

Anthony F. Farma

Anthony F. Farma
President

AFF/pl
Enclosure

UNITED STATES ASSOCIATION of EVENING STUDENTS

Please reply to:

Anthony F. Farma
53 Farragut Road
So. Boston, MA 02127

The United States Association of Evening Students which represents over 400,000 evening and part-time students from coast to coast would like to submit testimony concerning the concept of half-time requirement for eligibility to obtain financial aid and/or federally guaranteed student loans.

The position of the United States Association of Evening Students is that this requirement is discriminatory and detrimental to those Americans who wish to achieve their educational degrees on a part-time basis. In many instances, circumstances of family, employment, and time prevent many part-time students from taking the required two courses which would allow those students to be eligible for the federal financial aid programs which require a half-time commitment.

For instance, the young, single mother who can only get to classes one night a week due to problems of obtaining adequate babysitting help and the financial burden of paying for the care of her children. Another case in point is the married father with employment and family obligations which allow for a course schedule which would normally not meet the half-time requirements.

Traditionally, colleges and universities schedule part-time courses based upon availability of space and the recruitment of faculty to teach those courses. This approach leads to the irregular scheduling of courses.

This irregularity sometimes means that required or desired courses are not made available to evening and part-time students. In other words, what may be available in one semester sequence may not be available to the part-time student in another semester sequence. Therefore the student, having no control over course scheduling, in many instances may not meet the requirements of half-time. This type of scheduling policy and half-time requirements can actually force many students to take a much longer time to complete requirements for obtaining degrees.

A student falling into the scheduling problems previously described may actually start out meeting the half-time requirement but, due to circumstances completely out of his or her control, may not continue to meet those requirements on a semester-to-semester basis.

The United States Association of Evening Students believes that every American who desires to obtain a degree on a part-time basis should not be prevented from doing so due to stringent and unwavering government regulations. It is our belief that the Congress and Administration should encourage and help these unique individuals obtain their educational goals. We have seen individuals who are members of our organization become disadvantaged due to the half-time regulation and we feel that the time has come to change this discriminatory policy and to encourage more Americans to partake of the opportunity of part-time education with the encouragement and help of their Government.

THE UNIVERSITY OF WISCONSIN–MILWAUKEE/P.O. Box 413, Milwaukee, Wisconsin 53201

Division of Student Services and Special Programs
DEPARTMENT OF FINANCIAL AID
Telephone: (414) 963-4541

Grants
Loans
Work Study
Employment
Veterans Affairs

June 7, 1979

The Honorable William D. Ford
United States Congress
Rayburn House Office Building
Room 2368
Washington, D.C. 20515

Dear Congressman Ford:

I am writing to express concern about what is commonly termed the "matching requirement" for the Supplemental Educational Opportunity Grant (SEOG) Program. As you know, a number of funds (including College Work-Study) may be used as the match for SEOG.

Prior to the 1979-80 academic year the University of Wisconsin-Milwaukee often used Work-Study as an SEOG match. Such a practice involved an element of risk, however, since the SEOG was usually disbursed to students long before they were able to complete their Work-Study employment. If a student was for whatever reason unable to earn sufficient Work-Study income, the institution was responsible for repaying any unmatched SEOG to the Office of Education. In order to prevent such a situation it was necessary to monitor each student's Work-Study payroll and to replace the student's Work-Study award with a loan if the student appeared to be in danger of not earning enough Work-Study to make the required match.

As could be expected, some students refused to accept loans to replace their unearned Work-Study, and others "slipped through the cracks" due to human error in the payroll monitoring process. The procedures by which we monitored payrolls and re-awarded students were thus not only extremely time-consuming, but were not 100% successful.

As a result, the University of Wisconsin-Milwaukee has now joined the many other universities which simply refuse to use Work-Study as a match for SEOG. This seems to be a logical course of action, given the above constraints. It is, however, unfair to a number of students in that it penalizes the student who prefers to work and it rewards the student who prefers loans. A student who might otherwise prefer to work is encouraged by the system to go into debt in order to receive SEOG.

It is my belief that *if the institution offers and the student accepts Work-Study employment in an amount large enough to effect the SEOG match, then the matching requirement should be deemed to have been met, irrespective of the amount of the Work-Study award which is later actually earned by the student.* Such an interpretation would be a departure from current SEOG regulations as issued by the Office of Education, but would be in line with the Educational Amendments of 1976 under which the SEOG Program is authorized.

The National Association of Student Financial Aid Administrators (NASFAA) has recommended that the SEOG matching requirement be eliminated all-together when Title IV of the Higher Education Act is reauthorized. If for whatever reason that is not possible I believe that either the law or the regulations should be written to include the paragraph in italics above. It should be noted that the existing law (1) states only that the match must be "provided;" it is the Office of Education (2) which has interpreted this to mean that the match must be "disbursed."

Thank you for your help.

Sincerely,

Robert Ruble

Robert Ruble
Director

RR/smm

(1) Educational Amendments of 1976, Title IV, Part A, Subpart 2, Section 413B(a)(2)(A)(i)(II)

(2) Federal Register, August 24, 1978, Section 176.24(e)(1)

AMOUNT AND DURATION OF GRANTS

Sec. 413B. (a)(1) From the funds received by it for such purpose under this subpart, an institution which awards a supplemental grant to a student for an academic year under this subpart shall, for such year, pay to that student an amount determined pursuant to paragraph (2).

(2)(A)(i) The amount of the payment to any students pursuant to paragraph (1) shall be equal to the amount determined by the institution to be needed by that student to enable him to pursue a course of study at the institution, except that such amount shall not exceed

(I) $1,500, or

(II) one-half the sum of the total amount of student financial aid provided to such student by such institution,

whichever is the lesser.

(ii) No student shall be paid during all the academic years he is pursuing his undergraduate course of study at one or more institutions of higher education in excess of $4,000 or in the case of any student to whom the provisions of subsection (b)(1)(B) apply, $5,000.

(iii) For the purposes of clause (II) of division (i), the term "student financial aid" includes assistance payments to the student under subpart 1 of this part and parts C and E of this title, and any assistance provided to a student under any scholarship program established by a State or a private institution or organization, as determined in accordance with regulations, shall be deemed to be aid provided such student by the institution.

(B) If the amount determined under division (i) of subparagraph (A) with respect to a student for any academic year is less than $200, no payment shall be made to that student for that year.

(C) Subject to subparagraphs (A) and (B), the Commissioner shall prescribe, for the guidance of institutions, basic criteria and schedules for the determination of the amount of need to be determined under division (i) of subparagraph (A). Such criteria and schedules shall take into consideration the objectives of limiting assistance under this subpart to students of financial need, and such other factors related to determining the need of students for financial assistance as the Commissioner deems relevant but such criteria or schedules shall not disqualify an applicant on account of his earned income if income from other sources in the amount of such earned income would not disqualify him.

(b)(1)(A) A student eligible for a supplemental grant may be awarded such a grant under this subpart for each academic year of the period required for completion by the recipient of his undergraduate course of study in the institution of higher education from which he received such grant.

(B) A student may not receive supplemental grants under this subpart for a period of more than four academic years, except that in the case of a student—

(i) who is pursuing a course of study leading to a first degree in a program of study which is designed by the institution offering it to extend over five academic years, or come from Federal sources to be used for students' financial aid may not, in any event, be considered as part of an institution's own scholarship and student financial aid program.

(e)(1) An institution may, in accordance with its stated practice, consider scholarships and other student financial assistance given to students who are dependents of faculty members or other employees of the institution as student financial aid or employee benefits.

(2) An institution must count fellowships and assistantships as part of its program of student financial assistance unless it is the stated practice of the institution to consider the holders of fellowships and assistantships as members of the institution's faculty. In that case payments under fellowships and assistantships need not be considered financial aid.

(3) An election of treatment under paragraphs (e) (1) and (2) of this section applies to both the base year period and current year expenditures. A change of treatment will be permitted only with the express written approval of the Commissioner.

(20 U.S.C. 1088c.)

§ 176.21 Transfer of funds.

(a) An institution may transfer up to 10 percent of its allocation for an award year under the SEOG program to its allocation of funds for that year under the CWS program. Those funds must be used in accordance with the provisions of that latter program. Similarly, an institution may transfer up to 10 percent of its allocation for an award year under the CWS program to its allocation for that year under the SEOG program to be used in accordance with the provisions of this part. The transfer of funds from the SEOG program may be made without regard to whether the funds were allocated for initial or continuing grants. Also, funds transferred to the SEOG program may be allocated by the institution between its allocation for initial or continuing grants as the institution sees fit.

(b) Any amount transferred under paragraph (a) of this section must be reported on the annual institutional fiscal operations report required by § 176.19(b)(2).

(20 U.S.C. 1088e.)

§ 176.22 Duration of student eligibility.

A student is eligible to receive a supplemental grant for the period of time required to complete an undergraduate course of study. That period is usually 4 academic years, but may be extended up to 1 additional year if—

(1) The student is pursuing a 5-year course of study designed to lead to a first degree, or

(2) The institution determines that, because of particular circumstances, the student needs an additional year to complete a course of study that normally requires 4 years.

(20 U.S.C. 1070b-1.)

§ 176.23 Types of grant awards.

An institution may award only one initial grant to a student, and the maximum duration of that grant is 1 academic year.

However, if a student receives an initial grant from one institution and transfers to a second institution, any supplemental grant awarded by the second institution to that student is a continuing grant.

(20 U.S.C. 1070b.)

§ 176.24 Amount of grant.

(a) In general, a supplemental grant awarded to a student for an academic year must equal the amount the institution determines is needed by the student to pursue his or her studies at that institution.

(b) Nothwithstanding paragraph (a) of this section, in no event may a grant be awarded for a full academic year which (1) is less than $200 or (2) exceeds the lesser of (i) $1,500 or (ii) one-half of the amount of student financial aid made available to the student through the institution.

(c) A grant awarded to a student for less than a full academic year is limited by a maximum and minimum which bear the same proportion to $1,500 and $200 respectively as the length of the period of attendance bears to the length of the full academic year.

(d) Payments under the basic grants, CWS, and NDSL programs and under this part and any assistance provided to a student under any scholarship program established by a State or a private institution or organization are considered to be student financial aid made available through the institution.

(e) *General rule.* (1) To qualify as financial aid made available to the student through the institution, in general, the institution must disburse the aid to the student before the end of the academic year for which the student received a supplemental grant.

(2) In the case of financial aid in the form of compensation for work performed for the institution, or for an employer other than the institution under an agreement with the institution, the compensation must be earned by the student before the academic year ends and must be paid to the student no later than the next regular payday following the end of the last eligible payroll period.

(f) Notwithstanding paragraph (e) of this section, scholarship aid from sources outside the institution may be considered as being made available through the institution even if disbursed after the end of the academic year if the institution does not control the disbursement of those funds.

(g) No student may be awarded more than $4,000, except that a student whose eligibility is extended for a fifth year under § 176.22 may receive up to $5,000.

(20 U.S.C. 1070b-1.)

APPENDIX A

ALLOTMENT OF FUNDS TO STATES FOR FISCAL YEAR 1979

Alabama	$1,136,398
Alaska	37,532
Arizona	794,102
Arkansas	645,033
California	8,135,711
Colorado	1,092,555
Connecticut	994,752
Delaware	174,114
District of Columbia	568,864
Florida	2,666,032
Georgia	1,291,155
Hawaii	298,396
Idaho	320,388
Illinois	3,743,393
Indiana	1,967,198
Iowa	1,321,999
Kansas	1,062,749
Kentucky	1,080,841
Louisiana	1,276,332
Maine	308,431
Maryland	1,368,452
Massachusetts	2,738,217
Michigan	3,379,787
Minnesota	1,663,842
Mississippi	843,948
Missouri	1,754,719
Montana	323,590
Nebraska	712,680
Nevada	116,425
New Hampshire	322,323
New Jersey	1,821,749
New Mexico	412,220
New York	6,234,166
North Carolina	1,783,607
North Dakota	351,555
Ohio	3,568,791
Oklahoma	1,178,300
Oregon	1,035,027
Pennsylvania	3,751,149
Rhode Island	393,990
South Carolina	690,479
South Dakota	347,053
Tennessee	1,398,807
Texas	4,038,448
Utah	781,127
Vermont	236,508
Virginia	1,293,349
Washington	1,525,138
West Virginia	707,338
Wisconsin	1,914,003
Wyoming	151,836
Guam	13,218
Puerto Rico	555,030
Virgin Islands	4,708
Total	75,050,000

[FR Doc. 78-23252 Filed 8-23-78; 8:45 am]

OHIO BOARD OF REGENTS

30 EAST BROAD STREET 36TH FLOOR COLUMBUS OHIO 43215 (614) 466-7420

June 6, 1979

The Honorable William Ford
Room 2368
Rayburn House Office Building
Washington, D.C. 20510

Attention: Tom Wolovin

Dear Congressman Ford:

We are requesting your support and assistance in resolving a legislative problem we are experiencing with the federal States Student Incentive Grants Program (SSIG).

The purpose of this program as enacted in the Higher Education Amendments of 1972, Public Law 92-318, Section 415A through C, was to encourage states which did not have state funded student financial aid programs for needy students seeking access to a higher education institution, to establish such a program. It also provided an incentive for states with established programs to expand and improve them. The attractive feature of the SSIG program was that there was to be no intrusion into each state's determination of the specific goals in defining its particular needs in this area.

The program was highly successful in its intent. While there were only 29 states providing such programs in 1972, today every state in the union has established a student aid program.

However, in 1976 an amendment to this act was made which deeply concerns us. Under this amendment, an additional qualification was added which required all non-profit institutions of higher education within each state to be made eligible to participate in the state's program as a condition of participation. A later amendment excluded institutions which were prohibited by state constitutions. However, the federal definition of "institutions of higher education" remains much broader than Ohio's definition.

This intrusion threatens our ability to maintain control over the quality of programs in institutions of higher education in Ohio.

Under this provision, Ohio would be required to include vocational/job training programs, and one-year hospital programs in such fields as x-ray technology which, by federal definition, are institutions of higher education, a designation reserved in Ohio for a specific set of public and independent colleges all of which offer associate degrees and bachelor's degrees and hospital nursing programs.

This federal legislation would appear to be dictating to us how our state funds should be spent through a program (SSIG) which represents less than 8% of our program budget.

Ohio recognizes the federal intent of extending aid to all eligible students pursuing higher educational goals. We support this intent and can demonstrate our support by the growth of Ohio's program of student financial aid during the past seven years. Since its inception in 1972, our grant program has grown from $16 million assisting 36,561 students attending 49 independent colleges, 12 state universities, 20 branches and 24 public two-year colleges to our current $25 million annual level which has been expanded to include hospital schools of nursing, diploma programs. This expansion now involves some 53,000 students and 313 eligible institutions.

Part of that growth can be attributed to the SSIG program. However, the eligibility provided in Section 415C of the Higher Education Amendments of 1976, as amended, is weakening this joint program. This provision also suggests implications as to possible future changes which will intrude even further into each state's program.

To correct the existing situation and to enhance further development in this state-federal partnership, we seek your assistance in changing the current federal statute.

We offer two possible alternative amendments for your consideration, the first of which is our preference.

Alternative I

Section 415C(A) #4

"provides that effective with respect to any academic year beginning on or after October 1, 1978, all non-profit institutions of higher education in the State, AS DEFINED BY THE STATE, are eligible to participate in the State program except in any State in which participation of non-profit institutions of higher education is in violation of the Constitution of the State;"

Alternative II (our second choice)

Simply remove Section 415C(a) #4 from the Higher Education Amendments of 1976.

Your support and assistance in achieving a satisfactory resolution to this problem would be greatly appreciated. If you have any questions concerning this matter, please contact either Charles Seward, the Director of the Board's Student Assistance Office or me.

Sincerely,

Edward

Edward Q. Moulton
Chancellor

bd

REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

Part 3—Student Financial Assistance

MONDAY, MAY 14, 1979

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Oberlin, Ohio.

The subcommittee met at 9:30 a.m., pursuant to notice, in the Main Lounge, Wilder Hall, Oberlin College, Hon. William Ford, chairman of the subcommittee, presiding.

Staff present: Thomas R. Wolanin, staff director; Patricia F. Rissler, deputy staff director; William Clohan, minority counsel, and Jennifer W. Vance, minority legislative associate.

Mr. Ford. I would like to call the meeting to order. I am going to break the rules of the House, temporarily. Mr. Ashbrook is on his way. We are not supposed to begin a hearing without a representative of the minority party present, but John's counsel is here.

It is agreed that we should proceed, because, unfortunately, the committee is operating on a difficult time constraint, and in order to be able to leave in time to return for important votes on the floor this afternoon, we must begin now.

I am pleased to call to order the second field hearing in connection with the reauthorization of the Higher Education Act here at Oberlin College.

The hearing is held here in Ohio at the request of John Ashbrook, the distinguished ranking minority member of the House Committee on Education and Labor. John Ashbrook is certainly one the most able and experienced members of our committee.

While he and I do not often vote the same way on issues, I count John among my good friends, and I have never failed to be challenged and stimulated by his views.

Our hearing is also being held here this morning at the request of Congressman Don Pease of Oberlin and Congressman Ron Mottl from the neighboring 23d District.

The Subcommittee on Postsecondary Education is already deep in the process of reauthorizing the Higher Education Act of 1965, which is our main task for this year.

We have thus far held 10 hearings on a variety of programs authorized by the act, including the program to strengthen developing institutions, college library assistance, the cooperative education program, and the community service and continuing education programs.

During the last 2 weeks, we have begun hearings on what is really the heart of the Higher Education Act, the student financial assistance programs. These programs are the primary mechanism for achieving the Federal objective of broadening educational opportunity in our Nation by providing students with access to institutions of postsecondary education, and providing students a choice of the institution most suited to their needs and interests.

These programs are also the primary means through which Federal support is provided to institutions of postsecondary education. To select only one from among the many illustrations of the importance of these programs, I would note that of the $5.1 billion appropriated in fiscal year 1979 for the programs authorized by the Higher Education Act, $4.7 billion or 92 percent of the funds were appropriated for the student financial aid programs.

At our hearing this morning, we will hear from college presidents, student financial aid officers, and students from Ashland College, Baldwin-Wallace College, the College of Wooster, Denison University, Kenyon College, Mt. Vernon Nazarene College, and Oberlin College.

This hearing will continue the theme of our recent hearings, student financial aid, and the witnesses will comment, in particular, on the impact of the Federal student financial assistance programs at independent liberal arts colleges.

At this point, I would like to withhold further comment awaiting the arrival of Mr. Ashbrook and recognize first the panel consisting of Mr. Emil C. Danenberg, president of Oberlin College; Mr. Arthur L. Schultz, president of Ashland College; Mr. Alfred B. Bonds, Jr., president of Baldwin-Wallace College; Mr. Robert C. Good, president of Denison University; and Mr. Philip H. Jordan, Jr., president of Kenyon College.

Without objection, the prepared formal statements presented on behalf of each of the members of this panel will be inserted in full at this point in the record, and we will ask the panelists to comment for the record and give their statements by adding to, supplementing or highlighting the statement as they deem most appropriate to illuminate this record.

We will start with President Danenberg.

Before this gets underway for us, we will say, President Danenberg, the committee is extremely grateful for the invitation to hold our hearings here.

It pleases me any time I could get on a plane and head close to Michigan. And we are close to Michigan and still in your great State.

We are very grateful, also, for the tremendous cooperation we have had from your staff in making the arrangements for the hearing under very difficult circumstances. From the time that we initially discussed coming here until we able to get here this morning, things changed many times and it looked at times very much like we weren't going to be able to come.

Extraordinary arrangements were made this past week, and we appreciate what you people have done to make it possible for us to be here this morning, and still fulfill our obligation this afternoon in Washington.

Mr. Danenberg?

STATEMENT OF EMIL C. DANENBERG, PRESIDENT, OBERLIN COLLEGE

Mr. **Danenberg**. Thank you, Mr. Chairman. I am pleased to welcome the House Subcommittee on Postsecondary Education to Oberlin College, and I am truly honored that Chairman Ford and members of the subcommittee have come to Oberlin to hear the independent colleges of Ohio voice their concerns about the reauthorization of the Higher Education Act of 1965.

I would also like to take this opportunity to commend the subcommittee, the education and labor full committee, and Congress for their support of Federal aid programs for institutions of higher learning.

Starting with the Higher Education Act of 1965 and in following reauthorizations, Congress has proven to the American public that it is dedicated to providing students with the means to attend any college of their choosing, regardless of their family's financial status.

Freedom of choice in selecting one's education is a value Oberlin College has believed in since its founding. Oberlin was the first college to grant undergraduate degrees to women and the first college to admit students, regardless of race.

As an independent educational institution, Oberlin offers a quality education to students from all backgrounds. Our student body is drawn from all 50 States, as well as from a number of foreign countries.

It includes a wide variety of racial, economic, cultural, and religious backgrounds. In 1977-78 Oberlin was the recipient of $499,760 in direct institutional aid and $875,930 in direct student financial aid.

However, our tradition of having an equal opportunity admissions policy and of providing high quality education could be seriously jeopardized if applicants are discouraged by financial barriers. Minorities and lower and middle income young people are often the ones who are most frustrated by these hurdles.

This should not be allowed to happen, undoing much of the progress made since 1965. We must not allow the benefits offered by independent liberal arts colleges to be denied to these groups and to become luxuries affordable only by a few.

Independent colleges and universities are an important alternative part of the American education system. They provide important competition and challenges to publicly financed system. In fact, they save taxpayers over $4 billion each year in educational institutional subsidies, an amount which public institutions would need to duplicate the services and facilities provided now by independent institutions.

Usually smaller in size than public institutions, these colleges and universities offer a more personalized education which, in addition to improving students' academic skills, contribute to their moral growth and leadership abilities.

This very subcommittee is indicative of the contribution that independent institutions make to this country. It is interesting to note that all of the members have attended independent schools as either undergraduates or as graduates.

Yet, while the contributions of independent institutions continue to be recognized, the future of these institutions is cloudy and uncertain. The outlook is bleak for two reasons.

First: In the next decade, independent institutions will be facing a diminishing pool of prospective students. This is a direct result of projected 15 percent decline in the college age population, 18 to 20 years old, that will occur between 1980 and 1990. In addition to this problem, independent institutions are experiencing ever-rising costs brought about by inflation.

As a result, independent institutions faced with necessary sharper increases in tuition are beginning to retrench on some of the services and facilities, and even curricular programs that have been offered in the past.

At Oberlin physical plant services and student services have been streamlined and reduced. We have been hiring younger, less experienced and therefore less expensive faculty to replace retirees.

Independent institutions are expressing concern in the face of the rapidly declining applicant pool and the rising costs that they will not be able to maintain equal opportunity admissions policies and quality education.

With the help of Congress, we have thus far been able to keep our programs viable and open to disadvantaged as well as affluent students without having to make compromises damaging to quality. We are appreciative to Congress for past help in this accomplishment.

At the same time, we believe the problems which are facing independent institutions now and in the near future are growing and pose a new challenge to us and to the Congress. It would be shortsighted if the ideals envisioned in the Higher Education Act of 1965 could not still be realized in 1985.

We fervently hope Congress will not permit this to happen and that, as in the past, will recognize our problems and take the actions necessary to enable students to continue to enjoy equal educational opportunity. Thank you.

[Opening remarks of Mr. Danenberg follow:]

Opening Remarks by Emil C. Danenberg, President, Oberlin College

I am pleased to welcome the House Subcommittee on Postsecondary Education to Oberlin College and I am truly honored that Chairman Ford and Congressmen Ashbrook and Buchanan have come to Oberlin to hear the independent colleges of Ohio voice their concerns about the reauthorization of the Higher Education Act of 1965. I would also like to take this opportunity to commend the Subcommittee, the Education and Labor full committee, and Congress for their support of federal aid programs for institutions of higher learning. Starting with the Higher Education Act of 1965 and in following reauthorizations, Congress has proven to the American public that it is dedicated to providing students with the means to attend any college of their choosing--regardless of their family's financial status.

Freedom of choice in selecting one's education is a value Oberlin College has believed in since its founding. Oberlin was the first college to grant undergraduate degrees to women and the first college to admit students regardless of race. As an independent educational institution, Oberlin offers a quality education to students from all backgrounds. Our student body is drawn from all fifty states, as well as from a number of foreign countries.[1] It includes a wide variety of racial, economic, cultural, and religious backgrounds. In 1977-78 Oberlin was the recipient of $499,760 in direct institutional aid and $875,930 in direct student financial aid.[2]

However, our traditionof having an equal opportunity admissions policy and of providing high quality education could be seriously jeopardized if applicants are discouraged by financial barriers. Minorities, and lower and middle income young people are often the ones who are most frustrated by these hurdles. This should not be allowed to happen, undoing much of the progress made since 1965. We must not allow the benefits offered by independent liberal arts colleges to be denied to these groups and to become luxuries affordable only by the few.

Independent colleges and universities are an important alternative part of the American education system. They provide important competition and challenges to publicly-financed systems. In fact, they save taxpayers over four billion dollars each year in educational institutional subsidies--an amount which public institutions would need to duplicate the services and facilities provided now by independent institutions.[3] Usually smaller in size than public institutions, these colleges and universities offer a more personalized education which, in addition to improving students' academic skills, contribute to their moral growth and leadership abilities. This very Subcommittee is indicative of the contribution that independent institutions make to this country. It is interesting to note that all of the members have attended independent schools as either undergraduates or as graduates.

Yet, while the contributions of independent institutions continue to be recognized, the future of these institutions is cloudy and uncertain.

The outlook is bleak for two reasons. First, in the next decade independent institutions will be facing a diminishing pool of prospective students. This is a direct result of projected 15 percent decline in the college-age population (18 to 20 years old) that will occur between 1980 and 1990.[4] In addition to this problem, independent institutions are experiencing ever-rising costs brought about by inflation.

As a result, independent institutions, faced with necessary sharper increases in tuition, are beginning to retrench on some of the services and facilities, and even curricular programs that have been offered in the past. At Oberlin physical plant services and student services have been streamlined and reduced. We have been hiring younger, less experienced and therefore less expensive faculty to replace retirees.

Independent institutions are expressing concern in the face of the rapidly declining applicant pool and rising costs that they will not be able to maintain equal opportunity admissions policies and quality education. With the help of Congress, we have thus far been able to keep our programs viable and open to disadvantaged as well as affluent students without having to make compromises damaging to quality. We are appreciative to Congress for past help in this accomplishment. At the same time we believe the problems which are facing independent institutions now and in the near future are growing and pose a new challenge to us and to the Congress. It would be shortsighted if the ideals envisioned in the Higher Education Act of 1965 could not still be realized in 1985. We fervently hope Congress will not permit this to happen and that, as in the past, will recognize our problems and take the actions necessary to enable students to continue to enjoy equal educational opportunity. Thank you.

Footnotes

1. Report by the Office of the Registrar issued on October 17, 1978, showed that the Oberlin student body included people from all fifty states and forty foreign countries.

2. Current federal aid to Oberlin College

   Institutional

   In the 1977-1978 school year, Oberlin College received the following direct federal aid:

Special Services to Disadvantaged Students	$124,600
Upward Bound	60,200
East Asian Studies	48,000
Research grants (mostly sciences)	116,360
Instructional funds (for science projects and facilities)	12,200
Matching science equipment fund	9,500
Women in Science program	7,000
Sociology curriculum development	12,700
Developmental psychology curriculum development	2,600
Library resources (books only)	2,600
Interest subsidies on bonds borrowed to build Mudd Library	104,000
	$499,760

While these funds are vitally necessary to maintain the programs they support, they nevertheless comprise a very small portion of the total cost of Oberlin's educational programs. Tuition pays 62% of the yearly educational expenses. Income from the endowment pays 26%. 9% comes from gifts and grants (including the federal grants listed above); and 3% comes from other sources.

Student Financial Aid - 1977-78

Oberlin's financial aid budget is as follows:

B. E. O. G.	$ 296,427
S. E. O. G.	88,040
N. D. S. L. (federal funds)	395,616
C. W. S. P.	95,854
total federal funds	$ 875,937

total federal funds (continued)	$ 875,937
Federally guaranteed student loans	511,700
Oberlin N.D.S.L. funds	377,571
Oberlin jobs	450,000
Oberlin grant funds	1,887,171
Oberlin loans	35,900
Total	$3,262,342

Federal funds make up about 20% of the total financial aid budget. The G.S.L. program is provided for by federal legislation but the capital for the loans is supplied by private banks. The National Direct Student Loan program is funded partially by the government and partially by the College.

3. In 1976-1977, state and local government appropriations for operating expenses for public institutions of higher education totaled $14,018 billion. Total F.T.E. enrollment in public schools that year was 6,350,000, the average per-pupil public subsidy was $2208. Private school F.T.E. enrollment for 1976-1977 was 1,963,000. Therefore, if private schools were closed and public institutions had to extend their services to private school students, the additional per-pupil public subsidies would cost the taxpayers $4,334,304,000.

(a)	state government appropriations	$12.581 billion
	local government appropriations	$ 1.437
		$14.018 billion
(b)	1976-1977 public school F.T.E. enrollment	6,350,000

(c) $14,018,000,000 ÷ 6,350,000 = $2208 per-pupil public subsidy

(d) 1976-1977 private school F.T.E. enrollment 1,963,000

(e) $2208 x 1,963,000 = $4,334,304,000 additional cost to taxpayers

These enrollment figures are from a National Center for Education Statistics of the Department of Health Education and Welfare report entitled, "Projections of Educational Statistics to 1986-87." The financial figures are from the report, "Financial Statistics of Institutions of Higher Education F.Y. 1977."

4. The figure 15% appears in an article by Michael S. McPhearson, Assistant Professor of Economics at Williams College, entitled "Demand for Higher Education." The article is included in the book, Public Policy and Higher Education, edited by David W. Breneman and Chester E. Finn Jr., Brookings Institution, Washington, D.C., 1978, pp. 146-147.

Mr. **Ford**. Thank you very much. We have been joined by our colleague, John Ashbrook, who, as I mentioned a few moments ago, is the person most responsible for bringing us into the State of Ohio for these reauthorization hearings. And I will recognize Mr. Ashbrook at this point.

Mr. **Ashbrook**. Thank you, Bill. I apologize for being a few minutes late. Driving an hour and a half, you can sometimes have that difficulty. As a matter of fact, I think the hearings today showed two difficulties: one, the difficulty of your schedule and the difficulties of ours.

I think you probably know the legislative schedule is such that we rarely know what it is going to be until the preceding week. I am sad to say today ended up being a very bad day for us, because we have had the budget hearings extended, and that kind of compressed our schedule, or I think we have about seven or eight votes this afternoon we are going to have to get back for, otherwise, we would like to stay all day.

I see several familiar faces, Phil, Bob, and I appreciate the fact you took the time to come here, so I know our schedule difficulties are small compared to your scheduling.

So we are pleased. We are here to hear you, and maybe we can ask a question or two [illegible] we go along. So thanks, Bill, and I appreciate the efforts you have taken in coming into our State.

Mr. **Ford**. Thank you very much, John. I would like to correct an oversight. I didn't introduce the other people at the table. To my extreme left, which has nothing to do with politics, is the minority counsel for postsecondary education.

Mr. **Ashbrook**. He is on your right.

Mr. **Ford**. Yes. Bill Clohan, who is a very able and competent person dealing with the legislation, knows it very well and tries to keep us from getting into too much trouble.

On my right and your left, and I should have mentioned him before, because he is probably known to some of you. He is a graduate from Oberlin, Dr. Tom Wolanin. He graduated from Oberlin in 1965 and then came back here after working for Congressman Nedzi of Michigan and as an intern in 1967. He served for a period of time on the faculty here, and then he went astray, went to Harvard and got a Ph. D. in political science. He ended up again in Washington.

So I am sure that in connection with remarks made by President Danenberg about the type of institutions——

Frankly, I had not noticed that before, but I do recall when I became chairman of the committee in the Congress before this one, there was some concern among my friends in private institutions, because I had been identified with programs making much more noise about public institutions like community and junior colleges. There were some private institutions that had some reservations about what was going to happen to them.

I had to dust off a description and mail it to people to let them know that I had two degrees from private church-related institutions. That may have cooled some of the concern.

I assume, I guess, that people outside of Michigan think that everybody in Michigan went to the University of Michigan. I remind the University of Michigan from time to time that I didn't make it.

Mr. ASHBROOK. It is their irretrievable loss. [Laughter.]

Mr. FORD. We have a brand new member, John, Mr. Bailey, who I am sure is going to be a great member, because he played in the Rose Bowl before coming to Congress.

Mr. ASHBROOK. No, against Ohio State, I don't think.

Mr. FORD. I know that you people who are honorary alumni of Ohio State will appreciate that we sometimes have some discussions about those two schools.

I would now like to call on Dr. Schultz, president of Ashland College.

STATEMENT OF ARTHUR L. SCHULTZ, PRESIDENT, ASHLAND COLLEGE

Mr. SCHULTZ. Let me express our deep appreciation to the House Subcommittee on Postsecondary Education for your interest in the problems that face private independent institutions of higher education in the Nation.

We must have faith in the American concept of higher education, which has as its purpose the helping of each individual to achieve his own highest potential. It is an American dream which is as old as America itself. It is time we expressed greater faith in that concept, and in that dream.

The Puritans decided to found a college in 1636 because they realized the need for trained leaders, as well as dedicated leaders. While our earliest colleges were extablished to train leaders for the church, it was soon apparent that they must prepare leaders in other areas of life.

During the intervening 3½ centuries, more than 3,000 institutions of higher learning have been founded. A few are under Federal control, over 1,400 under State control, and the majority, over 1,600, are private. This American system of higher education is a pluralistic one, and I hope that we can keep it that way.

Remember that the private colleges, out of all proportion to their size and material resources, have produced eminent men and women who are leaders in science, business, in humanistic fields and leaders in church and State. We have nothing for which we must apologize.

However, our private colleges are finding it difficult to meet the cost of high quality education and paying adequately trained, properly motivated faculty members. We must revise upward our faculty salary scale.

If it is true that "teachers make a civilization," then you would have to agree that teachers make a college what it really is. I have found that good teaching is the heart of our private colleges, even more important than all of the buildings.

By increasing our costs, we eliminate many deserving and gifted students from receiving the kind of education we offer. Scholarship help and loan funds are needed to aid such students.

However, we are limited in providing such funds, since we must raise from our alumni, churches, business friends, and corporations large sums of money for equipment, facilities, current operating budgets and endowment.

Our problem is one of finances, to attract and keep a quality faculty and to provide financial aid for deserving students. We can only go as far as the support we receive. We want to serve effectively our community, constituency, State, and Nation.

Higher education has become an exceedingly high cost activity. Government support for higher education has been largely channeled to public institutions to provide education at relatively low cost to the student.

But because of the sharp acceleration of costs, even these modest charges have prevented large numbers of students from attending. In absence of such government subsidy, the private institutions and their students have become the victims of spiraling costs to a degree which has now reached crisis proportions.

Unless ways can be found to permit students to choose private institutions when they wish to do so, and to enable such institutions to provide the education which students seek, we may do irreparable damage to one of our Nation's and State's greatest resources.

This freedom of choice is now being seriously threatened by the inflation of the Nation's economy. Many students will be deprived the opportunity of choice between public or private education, unless Federal resources continue and expand student financial aid.

The private colleges cannot meet the financial need of those young people who prefer private education without the excellent Federal student financial aid programs. At a time when many institutions are experiencing an austerity program, the prospect of increased financial aid budgets is negligible.

If grants and loans and work study were not available, institutions would have to depend more on an applicant's ability to pay. This would tend to homogenize a school's student body. Less would be done for the financially disadvantaged student who is academically qualified.

To stimulate and encourage the fullest possible development and utilization of the resources represented by the private colleges and universities, I would like to urge that Congress and the administration extend and revise the Higher Education Act and in the process make available a substantial portion of the funds appropriated for higher education to be channeled to students on the basis of need.

This is a necessity in order that educational opportunity may be extended to those who cannot now continue, because of inadequate resources and in order that more students may be enabled to choose their institutions and programs on the basis of educational offerings rather than costs.

We feel that it is unrealistic to assign the full financial burden of education to students, but believe that it is both proper and necessary to require from students and parents a significant contribution toward these costs, if adequate provisions have been made for grants on the basis of need.

Subsidy beyond the level of need for some cannot be justified until subsidy up to the level of need is available for all. Thus, we strongly urge Congress to continue and expand support for higher education in the decade of the 1980's.

Thank you for every consideration.

[Prepared testimony of Mr. Schultz follows:]

TESTIMONY BEFORE THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION OF THE HOUSE OF REPRESENTATIVES

BY: DR. ARTHUR L. SCHULTZ, PRESIDENT
ASHLAND COLLEGE, ASHLAND, OHIO

Monday, May 14, 1979

MEMBERS OF THE HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION:

First of all, let me express our deep appreciation to the House Subcommittee on Postsecondary Education for your interest in the problems that face private, independent [illegible] of higher education in the nation.

1. We must have faith in the American concept of higher education which has as its purpose the helping of each individual to achieve his own highest potential. It is an American dream which is as old as America itself. It is time we expressed greater faith in that concept and in that dream.

2. The Puritans decided to found a college in 1636 because they realized the need for trained leaders as well as dedicated leaders. While our earliest colleges were established to train leaders for the church, it was soon apparent that they must prepare leaders in other areas of life. During the intervening three and a half centuries, more than 3,000 institutions of higher learning have been founded. A few are under federal control, over 1,400 under state control; and the majority, over 1,600 are private. This American system of higher education is a pluralistic one, and I hope that we can keep it that way.

3. Remember that the private colleges, out of all proportion to their size and material resources, have produced eminent men and women who are leaders in science, business, in humanistic fields, and leaders in Church and State. We have nothing for which we must apologize.

4. However, our private colleges are finding it difficult to meet the cost of high quality education and paying adequately trained, properly motivated faculty members. We must revise upward our faculty salary scale.

If it is true that "teachers make a civilization" then you would have to agree that teachers make a college what it really is. I have found that good teaching is the heart of our private colleges; even more important than all of the buildings.

5. By increasing our costs we eliminate many deserving and gifted students from receiving the kind of education we offer. Scholarship help and loan funds are needed to aid such students. However, we are limited in providing such funds since we must raise from our alumni, churches, business friends and corporations, large sums of money for equipment, facilities, current operating budgets and endowment.

6. Our problem is one of finances -- to attract and keep a quality faculty and to provide financial aid for deserving students. We can only go as far as the support we receive. We want to serve effectively our community, constituency, state and nation.

7. Higher education has become an exceedingly high cost activity. Government support for higher education has been largely channeled to public institutions to provide education at relatively low cost to the student. But because of the sharp acceleration of costs even these modest charges have prevented large numbers of students from attending. In absence of such government subsidy, the private institutions and their students have become the victims of spiralling costs to a degree which has now reached crisis proportions. Unless ways can be found to permit students to choose private institutions when they wish to do so, and to enable such institutions to provide the education which students seek, we may do irreparable damage to one of our nation's and state's greatest resources.

8. This freedom of choice is now being seriously threatened by the inflation of the nation's economy. Many students will be deprived the opportunity of choice between public or private education unless federal resources continue and expand student financial aid. The private colleges cannot meet the financial need of those young people who prefer private education without the excellent Federal student financial aid programs. At a time when many institutions are experiencing an austerity program, the prospect of increased financial aid budgets is negligible.

9. If grants and loans were not available, institutions would have to depend more on an applicant's ability to pay. This would tend to homogenize a school's student body. Less would be done for the financially disadvantaged student who is academically qualified.

9. To stimulate and encourage the fullest possible development and utilization of the resources represented by the private colleges and universities, I would like to urge that Congress and the Administration extend and revise the Higher Education Act and in the process make available a substantial portion of the funds appropriated for higher education to be channeled to students on the basis of need.

This is a necessity in order that educational opportunity may be extended to those who can not now continue because of inadequate resources and in order that more students may be enabled to choose their institutions and programs on the basis of educational offerings rather than costs.

10. We feel that it is unrealistic to assign the full financial burden of education to students but believe that it is both proper and necessary to require from students and parents a significant contribution toward these costs, if adequate provision has been made for grants on the basis of need. Subsidy beyond the level of need for some cannot be justified until subsidy up to the level of need is available for all. Thus we strongly urge Congress to continue and expand support for Higher Education in the decade of the 1980's.

Thank you for every consideration.

Mr. **Ford**. Thank you very much, and now Mr. Alfred Bonds, president of Baldwin-Wallace College.

STATEMENT OF ALFRED B. BONDS, JR., PRESIDENT, BALDWIN-WALLACE COLLEGE

Mr. **Bonds**. Thank you, Mr. Chairman. I want to express my appreciation to you and the members of your committee for your willingness to come here and meet with us on this vital problem.

I have a son who is attending one of the most expensive private colleges in the country. It is not because I can afford it, but he is attending because it happens to offer the subject matter which he wishes.

So we are paying for it, but the cost of that tuition amounts to the cost of a medium-sized automobile, which we have to buy once a year. I wish you would think of that analogy in terms of cost as you look to this raging inflation, which is affecting all of our independent colleges today.

Approximately 60 percent of the students at our own college are on some form of undergraduate student aid and another 20 percent receive assistance through non-work-study institution employment or academic scholarship.

Gentlemen, I would like to call your attention to the fact that our college is participating in the work of the American Language Academy. We already have a group from Venezuela on our campus, and we expect a group from Saudi Arabia this month.

During this year, we anticipate our 200 students from the OPEC countries to be with us absorbing language as a basis for securing knowledge, the most valuable export we have.

In Nigeria, which has enjoyed an oil-supported economy for the last 5 years, the number of universities has increased from 6 to 12. The advertisement pages of the Chronicle of Higher Education are replete with offers of teaching positions from the newly wealthy oil countries who have recognized the value of an indigenous system of education.

My last available data from China indicated that 185 million persons were enrolled at some level of education. A recent New York Times article indicated that promising high school students were now being admitted directly to universities without the prior manual labor required during the Mao period. We have already had higher education delegations from China attempting to establish educational exchange in Ohio. I would remind the distinguished members of this committee that tuition is free in both China and Russia.

The developing countries are choosing their best students for free higher education, because they see their futures inextricably identified with their progress in education.

I spent 10 years in government service, including 3 years on the staff of President Harry Truman's Commission on Higher Education. I think I know the practical realities of the problems faced by the Congress.

At the same time, based on my service overseas and by frequent travels to many parts of the world, I am disturbed for the future of our Nation. There is in the files of the U.S. Office of Education in Washington a report entitled "Moscow in May."

It was written by Oliver Caldwell, a deputy commissioner of education, and it contains a quotation from the Minister of Education in Russia calmly announcing that they would destroy us; that they were on the upward escalator of history while we were heading downward.

I know we are here today to discuss the issue of Federal aid to students enrolled in independent colleges. We are concerned with the raging inflation which threatens the educational careers of students in both our public and our independent colleges and the fate of the colleges as well.

We cannot afford not to afford all of our educational and research resources.

I share John Silber's contention that there is no such thing as a "private" college. We are independent institutions in the service of the American public.

You have heard the statistics about the great percentages of corporate officers, Nobel prize winners, professional men and women who hold degrees from the independent colleges. There is still a special quality and concern within these institutions, which makes them a priceless national resource.

In fact, when we look at the American achievements, we must acknowledge that all of our education, both public and independent, is a resource beyond comparison anywhere else in the world. When we contemplate the magnitude of the problems which lie before us in the political economic, spiritual, cultural, and medical areas, our minds should reel with shock.

Thomas Jefferson told us that "a nation which expects to be ignorant and free expects what never was and never will be."

The current thrust of the United Negro College Fund is that a human mind is too precious to waste.

Mr. Chairman and gentlemen of the committee, we all know the immeasurable good done by the GI Bill of Rights. The Higher Education act of 1965 addressed itself to another group of problems involving minorities, women, the handicapped, and those in financial need to further their higher education.

I would say to you what has gone before is prologue to a newer, brighter, era in our history.

The U.S. Census Bureau has told us that if our national birth rate continues as it is now, the population will stop its natural increase in about 50 years with a peak population of about 250 million, about 30 million more than today. Simultaneously, the world's population is expected to grow from its current size of 4 billion to 6.2 billion by the end of the century, and to somewhere between 9 and 12 billion by the 22d century.

The implications, which these figures hold for education in the United States and throughout the world, boggle the mind. Somehow, people must learn the skills to provide through agriculture and fisheries almost 2 percent more food each year to stay abreast of the projected population growth.

President Truman's Commission on Higher Education was made up of some of the finest minds in the Nation. This group affirmed that

> American institutions of higher learning have an enlarged responsibility for the world that is emerging. They will have to help our own citizens as well as other people to move from the provincial and insular mind to the international mind.

Modern man must now sense the sweep of world history in order to see his own civilization more clearly. We have the means at hand in our educational institutions to preserve the delicate balance of our planet and to control science and technology so they may more safely and effectively contribute to human well-being.

This means to insure that our national policy opens the doorways of educational opportunity so that no human mind is wasted. The end is survival in a world in which our highest values may be preserved.

Gentlemen, you are dealing with a national policy of the utmost significance to our future. Thank you for sharing this time with us in which we can consider a mutual problem of overriding importance.

In an appendix, I have given you the biographies of several of our students who never would have been able to attend college had it not been for the aid programs provided by the Congress.

[Prepared testimony of Mr. Bonds follows:]

PRESENTATION TO THE U. S. HOUSE OF REPRESENTATIVES COMMITTEE ON EDUCATION AND LABOR SUBCOMMITTEE ON POSTSECONDARY EDUCATION THE HON. WILLIAM D. FORD, CHAIRMAN

BY

PRESIDENT A. B. BONDS, JR.
BALDWIN-WALLACE COLLEGE
BEREA, OHIO
14 May, 1979

Our college is participating in the work of the American Language Academy. We already have a group from Venezuela on our campus and we expect a group from Saudi-Arabia this month. During this year we anticipate our 200 students from the OPEC countries to be with us absorbing language as a basis for securing knowledge -- the most valuable export we have.

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I spent ten years in governmental service, including three years on the staff of President Harry Truman's Commission on Higher Education. I think I know the practical realities of the problems faced by the Congress. At the same time, based on my service overseas and my frequent travels to many parts of the world, I am disturbed for the future of our nation. There is in the files of the U. S. Office of Education in Washington a report entitled "Moscow in May." It was written by Oliver Caldwell, a Deputy Commissioner of Education, and it contains a quotation from the Minister of Education in Russia calmly announcing that they would destroy us -- that they were on the upward escalator of history while we were heading downward.

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We are independent institutions in the service of the American public. You have heard the statistics about the great percentages of corporate officers, Nobel prize winners, professional men and women who hold degrees from the independent colleges. There is still a special quality and concern within these institutions which makes them a priceless national resource. In fact, when we look at the American achievements we must acknowledge that all of our education, both public and independent, is a resource beyond comparison anywhere else in the world. When we contemplate the magnitude of the problems which lie before us in the political, economic, spiritual, cultural and medical areas our minds should reel with shock. Thomas Jefferson told us that "a nation which expects to be ignorant and free expects what never was and never will be." The current thrust of the United Negro College Fund is that a human mind is too precious to waste.

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This means is to insure that our national policy opens the doorways of educational opportunity so that no human mind is wasted. The end is survival in a world in which our highest values may be preserved.

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APPENDIX A

As an independent liberal arts college, Baldwin-Wallace must depend on tuition income and gifts as its primary source of revenue. Because of this, the total cost for a student to attend for one year and live on campus is about $6,000. This is a sum that is not readily available to most families. Approximately 60% of all full-time undergraduate students receive financial aid based on need. An additional 20% receive assistance through non-work-study institutional employment, academic scholarships and Guaranteed Student Loans.

As you may guess, student aid is a significant part of our institutional budget. For the year ending June 30, 1978, expenditures for grants and scholarships to students was $2,031,239 out of a total budget of $14,138,794. Approximately $700,000 of this student aid amount was restricted funds, including federal and state programs, and $1.3 million was institutional funds. An additional $1.1 million was spent for student employment and National Direct Student Loans.

Our financial aid program has a significant impact on a student's decision to attend Baldwin-Wallace. We depend on students with a broad range of experiences and high academic potential to fulfill our mission of providing a quality liberal arts education. To ensure this diversity within our student body, Baldwin-Wallace is committed to enabling any interested and qualified student to attend, regardless of financial circumstances. We seek to realize this goal by meeting the full documented need of virtually every student. The importance of our aid program in providing student diversity is best understood with some specific examples.

James is a black student from the inner city of Cleveland. His parents have been separated since 1969 and his mother's only income is from a job as a presser at a cleaners. She earns $4900 a year. James has worked every summer to help pay his college expenses, but this is the only resource he has. He has received full financial aid since entering Baldwin-Wallace three years ago.

His aid each year has included a maximum Basic Grant, a state grant, Supplemental Educational Opportunity Grant, National Direct Student Loan and College-Work Study.

Charles is from a farm family in Lorain County. His father has a modest income of about $14,000 a year as a farmer and building contractor. His mother works as a bookkeeper and earns about $5,000 a year. In the two years Charles has been a Baldwin-Wallace student he has not qualified for a Basic Grant, although he probably will next year. Between his summer employment and a small contribution from his parents he can only afford about $1,500 per year for college. For the past two years he has received a grant-in-aid from the college of about $2,500 an $800 loan and has earned $600-$700 each year from work-study employment.

Juanita's father is a skilled machinist for General Motors and her mother is a teacher's aide. In spite of their combined $30,000 a year income, they would find it impossible to send Juanita to Baldwin-Wallace without financial assistance. They have five other children, including another daughter in college. Juanita has received approximately $3800 in financial assistance for each of her two years at B-W, including an institutional scholarship of $2,400, a National Direct Student Loan of $700 and college work-study employment of $700.

Each of these students would not have been able to attend Baldwin-Wallace without assistance, and we would have been worse off because of it. Our program of financial assistance has been the critical difference for many of our current and former students. This college's future depends on the continuation of a national policy of providing federal assistance to students.

As our costs increase, however, so must our aid program. We do not have the resources to meet the increased needs of students solely with institutional money. The growth of the federal aid programs is essential for us to continue to provide an educational opportunity to a wide diversity of students.

At this point in the history of our nation we are confronting an educational and human challenge which establishes a tremendous need and golden opportunity for leadership toward a positive resolution of old and new concerns. The myriad programs and activities made possible by the 1965 legislations are essential for undergirding our total creative response to current issues.

One example is the Upward Bound Program. This program was conceived under Title I of the Elementary and Secondary Education Act of 1965 as an effort to assist low-income, less-chance individuals achieve a college education. Our institution has participated in this program for over a decade and has helped hundreds of individuals bridge the traditional gap between the environs of poverty and their success in an academic setting. Twenty years ago most of these individuals who are now serving their families and society as productive professional citizens would have been lost in the distracting maze of proverty and non-direction.

Upward Bound, along with other programs, has produced tremendous positive impact on the opportunities, aspirations and achievements of youth in the Greater Cleveland area. The gift of opportunity may be the greatest offering higher education can open, however, the gift of hope is essential to the psychological health and attitudes of future generations. This assistance has aided in responding to the needs of youth with exceptional potential from less-chance environments, minority groups, physically handicapped students, bi-lingual persons and other individuals with special needs, thus the total effectiveness of higher education has been significnatly increased.

Another important example is The Teacher Corps program established under Title V. The program has shown documented success in providing liasion between elementary and secondary schools and institutions of higher education. This has been a national program which brings together the theory and research of colleges and universities with the on-line application of the classroom teacher. Also, it has successfully promoted community involvement in the formulation of, and involvement in, academic endeavors.

Teacher Corps has provided a continuing new thrust toward intellectural involvement in meeting contemporary needs in curricular designs and meaningful educational activities for today's youth. Also, it provides a forum for evaluating changing and fine-tuning the learning process to effectively deal with educating a diverse population.

Mr. FORD. Thank you very much. Mr. Robert C. Good, president of Denison University.

STATEMENT OF ROBERT C. GOOD, PRESIDENT, DENISON UNIVERSITY

Mr. GOOD. Thank you, Mr. Chairman, and may I add my welcome to Ohio to the subcommittee. When one thinks of the goal of the student financial aid programs, "access and choice" is the phrase that comes to mind. We pair those words together in our minds so frequently that we unconsciously think of the two as synonyms.

Yet, they are two entirely distinct concepts. "Access" means that every person who desires higher education has the means to purchase it.

"Choice" means that he can afford to attend whatever school he selects, regardless of that school's cost. Fulfillment of the first does not necessarily accomplish fulfillment of the second.

The Federal student aid programs have provided a vehicle to carry us to the first goal: access. A combination of Federal, State, and institutional funds have powered that vehicle, and over the years, we have reached the goal.

We can now say that access is achieved. Every student who can benefit from higher education can afford to enjoy it in some form.

But the vehicle has not carried us nearly so far toward the second goal: choice. Three things are needed to bring us to achievement of the second goal: funding, consistency in self-help expectations, and communication.

Very few private educational institutions are able, even through the combined Federal, State, and institutional funds available to them, to meet the needs of all their matriculants and admitted aspirants. And administering those funds in accordance with regulatory policies is very costly.

Thus, the very effort to provide access increases costs, which in turn increases tuition, which in turn increases student needs.

Yet, unless we keep pace with this cycle, we fail to provide access even to our own institutions. One institution's failure to provide access carries all institutions further away from the goal from choice.

I ask you, therefore, to give your very serious consideration to the matter of funding in general for the student aid programs. The threshold levels should be retained or increased, as appropriations are not sufficient for schools like Denison, even at the 1979-80 level. Perhaps the new application procedures will accomplish a gradual redistribution that will alleviate this problem, but at least until then our students rely heavily on funding at or above the present level.

Specifically, the matter of funding administrative cost allowances is in need of attention. You are aware, of course, that provisions for administrative allowances in the BEOG and GSL programs have been legislated, but never funded. You may not have considered, however, the fact that administrative allowances for the campus-based programs have never been funded either.

Our allocations under the NDSL, CWS, and SEOG programs are determined strictly on the basis of the documented needs of our students.

At Denison, we are not receiving even as much money as our students need, and therefore nothing is left over for administrative costs. Until the administrative allowance is additional to the need-based allocation, we can take an administrative allowance only by stealing money that our students need.

I would suggest that administrative cost allowances, as in the BEOG/GSL model, should be supplemental to the need-based allocation, and should be made on a recipient count, rather than a percentage basis. It does not matter whether the student receives $200 or $2,000. The same amount of paperwork and counseling must be done according to the regulations. Real administrative cost is a function of the number of transactions, not the number of dollars that change hands.

In addition to providing sufficient funds to enable all institutions to offer access to all qualified aspirants, we need to modify the aid delivery system until it will result in all institutions offering access to needy students on substantially the same monetary terms. The uniform methodology has succeeded in helping us to act in unison in determining an expected family contribution.

But the bottom line cost to the family is that figure plus the self-help portion of the financial aid offer. We are far from together on that.

I am certainly not suggesting that rigid student loan and employment expectations should be established. Little that is rigid is good in the financial aid system.

But I am suggesting that we ought to establish normally reasonable self-help contributions, and that these should ordinarily be replaced or reduced only in unusual circumstances, and then preferably by each other or at most by institutional funds.

Until we come together on this matter, we cannot reach the goal of true choice.

The bottom line must match before cost bias can be removed as a determining factor in college selection.

With these first two stages toward real choice passed, we have only to advertise our success effectively. The prospective college student population and their families begin college preselection, preliminary thinking as to what kind of higher education, if any, they will consider several years before contacting colleges directly as prospective freshmen.

We can usually reach the ones who contact us, but many preselect against us, even in these days of access, because they do not know and believe that we are within their realm of choice. Reaching those students and their families before they have completed their preselections is a job that colleges cannot do alone.

We need the help of the Congress and the Office of Education, and indeed those bodies should be involved, as they deserve a large share of the credit for the good news to be spread. Thank you, Mr. Chairman.

[Prepared statement of Mr. Good follows:]

Presented by:

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When one thinks of the goal of the student financial aid programs, "access and choice" is the phrase that comes to mind. We pair those words together in our minds so frequently that we unconsciously think of the two as synonyms. Yet they are two entirely distinct concepts. "Access" means that every person who desires higher education has the means to purchase it. "Choice" means that he can afford to attend whatever school he selects, regardless of that school's cost. Fulfillment of the first does not necessarily accomplish fulfillment of the second.

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But the vehicle has not carried us nearly so far toward the second goal: choice. Three things are needed to bring us to achievement of that second goal: funding, consistency in "self-help" expectations, and communication.

Very few private educational institutions are able, even through the combined federal, state and institutional funds available to them, to meet the needs of all their matriculants and admitted aspirants. And administering those funds in accordance with regulatory policies is very costly. Thus the very effort to provide access increases costs, which in turn increases tuition, which in turn increases student needs. Yet unless we keep pace with this cycle we fail to provide access even to our own institutions. One institution's failure to provide access carries all institutions further away from the goal of "choice."

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With these first two stages toward real choice passed, we have only to advertise our success effectively. The prospective college student population, and their families, begin college pre-selection--preliminary thinking as to what kind of higher education, if any, they will consider--several years before contacting colleges directly as prospective freshmen. We can usually reach the ones who contact us, but many pre-select against us, even in these days of access, because they do not know and believe that we are within their realm of choice. Reaching those students and their families before they have completed their pre-selections is a job that colleges cannot do alone. We need the help of the Congress and the Office of Education, and indeed those bodies should be involved, as they deserve a large share of the credit for the good news to be spread!

Mr. **Ford**. Thank you very much, Mr. Good.

Mr. Jordan of Kenyon College.

STATEMENT OF PHILIP H. JORDAN, JR., PRESIDENT, KENYON COLLEGE

Mr. **Jordan**. Thank you. I want to thank you for the opportunity to testify before this subcommittee, and for your interest in coming to the State of Ohio to hear our concerns.

I have submitted written testimony, but I am going to comment on certain parts of it by way of highlights, and to offer. I hope, a complement to the testimony of my colleagues this morning.

I wish to associate myself clearly with their concerns about the future of private education, with their concerns for the problem of access to private colleges, and with their assertions of the continuing importance of independent higher education, not only for American freedom and leadership, but for global development.

I have decided to complement their remarks by concentrating on some observations about the independent colleges in the State of Ohio and some observations about my own institution.

In Ohio we have a dual and diverse system of higher education. This year about 349,000 students attended all postsecondary institutions, and about 100,000 or 22 percent of them were in the private sector.

The private minority, which has grown smaller in the last decade, serves as a vital check, as we will all acknowledge, against a State-supported monopoly, helping to set standards and offering leadership in education that small, self-determining campuses can more readily undertake and accomplish.

Within the private sector in Ohio are 42 4-year undergraduate and graduate institutions that are members of the Association of Independent Colleges and Universities, including all of the institutions represented at this hearing.

The special importance of this subset of private institutions is illustrated by performance in degree granting in 1977-78. AICUO members enrolled 18 percent of all students in Ohio postsecondary education, but awarded 28 percent of all degrees at the baccalaureate level and above and 40 percent of the doctorates.

Gentlemen, in Ohio, as in all States, the Federal responsibility in student aid comes into play after the State government has acted. In Ohio, as in States generally, State policy and action has produced a significant and increasing tuition differential or tuition gap.

The effective price or cost to the student and student's family of college attendance, excluding financial aid, has increased faster in the private sector in Ohio than in the public sector.

In 1965-66, for example, the tuition gap between average tuition and fee rates of Ohio public universities was $492 This year, 1977-78, it was $2,050 in current dollars.

We have in Ohio a State student aid program, the Ohio instructional grants, which is need-sensitive and tuition-sensitive. But this provides only a modest answer to the growing differential, and all evidence suggests that the gap will continue to grow. Hence, I would stress to you that the full Federal packet of programs are needed, especially the campus-based programs, to help fill the gaps and correct imbalances remaining after State action.

For the entire private sector in this State, for those 42 institutions that I referred to and the colleges here today, and for my own college, in particular, Federal student aid programs help support student choice, preserve diversity among institutions, encourage diversity in student bodies and sustain enrollments.

I do want to stress that a major commitment will continue to come from institutional financial aid funds. Each year, as tuitions increase under inflationary pressures, we increase our budgetary contributions to financial aid.

At Kenyon, for example, budget allocations to financial aid have risen 10 percent annually over each of the last 5 years, while total tuition and fee increases have been less. But Federal student aid programs are a crucial element in each institution's total effort.

For you to understand, I think, something of the diversity of our institutions and the particularity of our needs, it may be important to hear something of a particular college's story in brief terms.

The needs of Kenyon College and our responses to Federal student aid derived from our history, character, and financial condition. We were founded in 1824 by the first Episcopal bishop of Ohio, but we receive no funds from the church. Our support has been secular and takes the form of charges paid by students and their families, gifts from alumni and friends and returns from investment of a very modest endowment fund. The college has always been small, less than a thousand, until women were admitted for the first time in 1969.

Therefore, it has an alumni body of only 7,000. These men, and now women, are impressively loyal in their giving to the college, but they are simply unable to provide a major share of the funds that supports operating expenses, including financial aid.

Our slender endowment of about $8 million is similarly a minor contributor to annual revenues. Therefore, my own institution has been historically dependent on a clientele largely capable of paying the entire bill for tuition and fees.

Recently, 85 percent of the revenues that support annual operations have come from that source, and about 15 percent from gifts, grants, or returns on endowments. Yet, the college is in sound financial condition.

Enrollments have held steadily at about 1,450 to 1,460 students, about 40 percent of whom are women.

Now, I repeat these facts because they explain the special character of Kenyon College's record of financial aid in general and the particular importance of Federal participation in student aid programs.

The proportion of the Kenyon student body receiving financial aid from institutional and public sources in recent years has ranged from 20 to 30 percent. For example, last year 1,467 full-time and part-time students enrolled, and exactly 25 percent, 367 students, received some form of financial aid.

Of these financial aid recipients, 274 or better than 18 percent of the student body received aid from at least one of the three campus-based Federal aid programs. Over the last 5-year period, 1973-78, there has been a continuing growth in the number of

Kenyon students served by Federal aid programs and the dollars utilized. We have seen a growth, although modest in total scope, of the basic educational opportunity programs. In the present academic year, 1978-79, 75 Kenyon students had received $74,513.

In the guaranteed student loan program, although Kenyon itself is not a lender, the number of applications processed through the financial aid office increased from 109 in 1977-78 totaling $194,390 to 153 this year totaling $308,035. Most of the increase came after passage of the Middle Income Student Assistance Act.

The participation of Kenyon students in the three campus-based Federal programs has been particularly important, and I have detailed tables in my written testimony. I also have provided evidence that students served by those programs have been strong contributors to the academic excellence of the institution, performing at or better than the normal level of performance in the college, and including a healthy proportion of students who graduated in the top quarter of their classes.

The point I wish to make, gentlemen, in this particular case, is that even though the number of students served and the total dollars involved may in Kenyon's case be small compared with other institutions, the importance to Kenyon of Federal programs is very great, providing access to students who otherwise could not attend and great benefits to the campus through their presence.

Federal programs have enabled Kenyon to increase the diversity of the student body, an objective the college will continue to pursue. They will remain critical in importance to our institutional life.

I thank you very much for the opportunity to testify.

[Prepared statement of Mr. Jordan follows:]

STATEMENT OF PHILIP H. JORDON, JR., PRESIDENT, KENYON COLLEGE

I am most grateful to have the privilege of appearing before the House Subcommittee on Post-secondary Education to testify about the impact and effectiveness of Federal student financial aid programs on independent liberal arts colleges in Ohio, especially through the example of my own institution, Kenyon College. I join my colleagues in thanking Chairman Ford and Congressmen Ashbrook and Buchanan for inviting this delegation of presidents, students and financial aid officers to appear today at Oberlin College, to describe our experiences and concerns, and to assist the Subcommittee in its deliberations about the reauthorization of the Higher Education Act of 1965.

All of the institutions represented in today's testimony have in common their character as private colleges engaged in liberal arts education, but each offers a distinctive identity that exemplifies the diversity within our sector of higher education. Hence each has an individual story to tell, a special set of needs and particular responses with respect to the student aid programs of the Federal Government.

Kenyon College: Character and Condition.

The needs and responses of Kenyon College derive from our history, character and financial condition. Founded in 1824 by the first Episcopal Bishop of Ohio, Kenyon has kept up loose ties with the sponsoring church. But from the first the College imposed no creedal constraints on students or faculty, offered a classical liberal arts program to its undergraduates, and received no financial assistance from either the national church or the diocese. Kenyon's sources of material support have been entirely secular, comprising the charges paid by students and their families, gifts from alumni and friends, and returns from investment of a very modest endowment fund. The small size of the college--less than 1,000 until women were admitted for the first time in 1969--has meant an unusually small alumni body of about 7,000, impressively loyal in their giving to the College but unable to provide a major share of funds to support operating expense or financial aid. The slender endowment--about $8 million currently--is similarly a minor contributor to annual revenues. Therefore, Kenyon College has historically depended upon a clientele largely capable of paying the entire bill for tuition and fees. In recent years Kenyon has been about 85 percent dependant on the payment of student charges, with about 15 per cent of operating revenues coming from gifts, grants and returns on endowment. Despite this financial configuration, Kenyon has established and maintained fiscal soundness. The College had during the last decade paid off an accumulated deficit, eliminated deferred maintenance of physical plant, developed and tended a reserve equal to 10 per cent of the operating budget and kept its annual budget solidly in the black for the past eight years. Enrollments have held steady at about 1450-1460 students, approximately 40 per cent of whom are women.

Financial Aid at Kenyon

These salient facts about our small, selective, coeducational, residential liberal arts college, located in a rural Ohio county, explain the special character of the College's record in financial aid generally and participation in Federal student aid programs. The proportion of the Kenyon student body receiving financial aid from institutional and public sources in recent years has ranged from a fifth to a quarter. For example, in 1977-78, of the 1467 full-time and part-time students enrolled in the College, 367 (25 per cent) received some form of financial aid. Of the 367 financial aid recipients, 274 (or 18.6 per cent of the student body) received aid from at least one of the three campus-based federal aid programs. Of the latter, only 70 (25.5 per cent of the federal campus-based aid recipients) were students with family incomes below $15,000.

Over the five-year period 1973-78, however, there has been a growth in the number of Kenyon students served by federal aid programs and the dollars utilized:

-In 1973-74 the Basic Educational Opportunity Grants program provided $1708 to nine Kenyon students. In the present academic year (1978-79), 75 Kenyon students have received $74,513.

-In the Guaranteed Student Loan Program, although Kenyon itself is not a lender, the number of applications processed through the Financial Aid office increased from 109 in 1977-78 (totalling $194,390) to 158 this year (totalling $308,935). Most of the increase came after passage of the Middle Income Student Assistance Act.

-Participation in the three campus-based federal programs. (Supplemental Educational Opportunity Grants, College-Work-Study, and National Direct Student Loans) is as follows:

	Students	Total	NDSL	SEOG	C-W-S
1973-74	229	134,897	98,755	8500	27,642
1974-75	209	120,931	88,375	3579	29,027
1975-76	266	147,178	99,900	5012	42,266
1976-77	273	152,474	108,025	4648	39,801
1977-78	274	158,947	121,200	4573	33,174

-Academic performance of students receiving campus-based federal student aid was strong. The percentages of students receiving aid from one of these programs who maintained at least a B average were:

1973-74	16.6%
1974-75	23.9%
1975-76	28.5%
1976-77	26.8%
1977-78	26.3%

During the past several years, the proportion of the total Kenyon student body who maintained a B average was comparable to the proportion of federally aided students who performed at that level. And the percentages of graduating seniors aided by campus-based federal aid programs who ranked in the top quarter of their classes were:

1973-74	36.8%
1974-75	32.0%
1975-76	37.9%
1976-77	30.1%
1977-78	32.5%

For Kenyon College the recent record of utilization and impact of federal student aid programs clearly indicates that:

1. Even though the number and proportion of students served and total federal dollars used may be small in comparison with other institutions, the importance to Kenyon is very great, providing access to students who otherwise could not attend and great benefits to the campus through their presence.
2. Federal programs have enabled Kenyon to increase the diversity of the student body, an objective the College will continue to pursue.
3. The BEOG program has played a modest role among federal programs and our campus but is and will be important in Kenyon's context despite its scale.
4. The GSL program has grown and is likely to grow further in importance, assuming the availability of dollars and that GSL is not made part of a need-based program as has been proposed.
5. The three campus-based programs are essential elements in Kenyon's total financial aid capability, especially NDSL; and diminution of them or restriction on their present utilization would have an adverse impact on the College's efforts to serve middle and lower income students.

Federal Student Aid Programs and Ohio's Private Colleges

Although my special concern is directed toward my own institution, I wish to note briefly the general significance of federal student aid programs for the private sector in higher education in the State of Ohio. In Ohio the higher education community is both dual and diverse: a public sector that served in 1978-79 about 349,000 students and a group of private post-secondary institutions that enrolled about 100,000 or 22 per cent of the total. The private minority, which has grown smaller in the last decade, serves as a vital check against a state-supported monopoly, helps to set standards and offers leadership in education that small, self-determining campuses can more readily undertake and accomplish. Within the private sector are 42 four-year undergraduate and graduate institutions that are members of the Association of Independent Colleges and Universities, including all of the institutions represented at this hearing. The special importance of this subset of private institutions is illustrated by performance in degree-granting in 1977-78. AICUO members enrolled 18 per cent of all students in Ohio post-secondary education, but awarded 28 per cent of all degrees at the baccalaureate level and above and 40 per cent of the doctorates.

In Ohio, as in all the states, the federal responsibility in student aid comes into play after the state government has acted. In Ohio, as in states generally, state policy and action has produced a significant and increasing tuition differential or "tuition gap." The effective price or cost to the student and student's family of college attendance (excluding financial aid) has increased faster in the private sector in Ohio than in the public sector. In 1965-66 the tuition gap between average tuition and fee rates of Ohio public universities was $492.77. This year (1978-79) it was $2,052 in current dollars.

State student aid programs have responded only modestly to this growing differential, and the gap will continue to grow.

Hence the full federal packet of programs are needed, especially the campus-based programs, to help fill gaps and correct imbalances remaining after state action. For the entire private sector in Ohio, for the AICUO institutions, for the colleges represented in testimony here today and for Kenyon College in particular, federal student aid programs help support student choice, preserve diversity among institutions, encourage diversity in student bodies and sustain enrollments.

The major commitment will come from institutional financial aid funds. Among the 42 AICUO institutions in 1977, $27 million in the aggregate total of operating budgets of $390 million was devoted to financial aid, nearly 9 per cent of all operating expense. Each year as tuitions increase under inflationary pressures, budget contributions to financial aid increase at least as fast. At Kenyon, for example, budget allocations to financial aid have risen 10 per cent annually over the past five years while total tuition and fee increases have been less. But federal student aid programs are a crucial element in each institution's total effort.

Recommendations to the Subcommittee

As the Subcommittee considers the issues associated with the reauthorization process, I would like to state the following for consideration:

1. I endorse without reservation the Public Policy Statement for 1979 which was approved by the National Association of Independent Colleges and Universities at its annual meeting last February and which I supported at that time, commending to the Subcommittee the section on student assistance.

2. I would stress the continuing and vital importance of the three campus-based programs to students at Kenyon College and private colleges like it and urge at least no reduction in funding for each.
3. In particular I strongly urge at least level funding of NDSL at $310.5 million; a raising of the trigger level or threshold of funding for SEOG (as the Subcommittee did last year) to assure continuing growth of this program and funding of SEOG at the same level as MISAA: $370 million.
4. I urge an increase in the administrative cost allowance for the campus-based programs, as recommended by the American Council on Education, to relieve the financial burdens placed on Kenyon and other institutions that administration of these valuable federal programs imposes.
5. I call the Subcommittee's attention to and endorse the concerns and recommendations offered in the written testimony of P. Wesley Tutchings, Director of Financial Aid at Kenyon College.

Again, I wish to thank the Subcommittee for the opportunity to submit testimony.

Philip H. Jordan. Jr.

May 14, 1979

Philip H. Jordan, Jr.
President
Kenyon College

Mr. Ford. Thank you, President Jordan. At this point, without objection, I would ask that the statement submitted by L. Guy Nees of Mount Vernon Nazarene College at Mount Vernon be included in full in the record. He attempted to be present but couldn't participate.

[Prepared testimony of Mr. Nees follows:]

MOUNT VERNON NAZARENE COLLEGE
MARTINSBURG ROAD • MOUNT VERNON, OHIO 43050 • (614) 397-1244

A WRITTEN TESIMONY REGARDING THE IMPACT OF FEDERAL STUDENT FINANCIAL AID PROGRAMS AT INDEPENDENT LIBERAL ARTS COLLEGES

BY

DR. L. GUY NEES, PRESIDENT
MOUNT VERNON NAZARENE COLLEGE
MOUNT VERNON, OHIO

PRESENTED TO THE HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION
MAY 14, 1979
OBERLIN COLLEGE, OBERLIN, OHIO

It is no understatement to say that federally funded student financial aid programs play a vital role in the operation of Mount Vernon Nazarene College. A few statistics will underscore this statement.

(A) During the 1977-78 fiscal year, funds from the federally funded programs - National Direct Student Loan, Supplemental Educational Opportunity Grant, College Work-Study, Basic Educational Opportunity Grant, and Guaranteed Student Loan Program - represented 29% of our total institutional current fund income.

(B) For the 1978-79 fiscal year, funds from the various federal programs will constitute a total of 35% of our total institutional current fund income.

However, Mount Vernon Nazarene College and its constituency is also committed to cooperatively aiding students in obtaining liberal arts education. For example, during the 1977-78 and 1978-79 fiscal years, Mount Vernon Nazarene College contributed sufficient resources to account for a $1,000 scholarship for every student who attended our institution. These supportive funds came directly from the sponsoring church and its constituency.

Mount Vernon Nazarene College and private higher education in general, need the support of federally funded student financial aid programs. We applaude the efforts of Congress and particularly the House Subcommittee on Postsecondary Education chaired by Representative William D. Ford, in the passage of the "Middle-Income Student Aid Bill." We will administer these program funds to the intent for which they were provided.

My objective in preparing this written testimony is to emphasize the need for private colleges and universities as part of the American system of higher education. I am not implying that private higher education is in any way superior to public higher education. Both sectors serve important roles in our society. The two are interdependent, complimentary, and mutually supportive. A special appeal for private higher education must be made because it is currently facing unfair financial pressures. I feel new public policies are needed to preserve the benefits that accrue from the dual system - private and public.

First of all, private higher education provides diversity. Diversity within the private sector can be seen in the following ways:

A) size of the institution - ranging from very small to very large

B) location - some rural, some suburban, some urban

C) function - small liberal arts colleges and specialized schools to universities with graduate and professional programs

D) clientele they serve - a particular ethnic or religious group or a particular local area to those serving a broad spectrum of the population

E) philosophy of education - some cater to students of exceptional ability and some to those of more modest ability.

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It is generally understood that private institutions of all types have included among their main objective the development of the students' character.

Secondly, the private sector of higher education serves as a counterweight to the public sector and provides useful checks and balances. Private educational institutions provide alternative educational programs and provide a continual reminder that an independent education is attainable.

Thirdly, many private institutions are characterized by tradition and intellectual excellence. In many cases, their excellence is derived largely from the traditions and influences associated with private control.

Fourthly, private institutions provide academic freedom as a result of their relative independence from government, the diversity of their governing boards, and their traditions. These factors make them less susceptible to various forces that could curb academic freedom than are public institutions.

Fifthly, private institutions provide a continual atmosphere in which the traditions of liberal learning and the development of sound personal values are emphasized as an important result of higher education.

Finally, the education that is provided to students who attend private institutions is a relief to taxpayers. For example, when you examine the present average subsidy per student in the Ohio public sector is $1,800 per year and it is estimated that the Ohio private sector educates over 55,000 full-time students annually.[1] Multiplying by 55,000 students yields an estimated additional annual cost to Ohio taxpayers of $99,000,000. In addition, this amount represents only the operating costs and ignores capital costs. The savings is significantly larger when you examine this on a national basis.

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[1] Ohio Association of Independent Colleges and Universities 1977-78 Fast File.

In conclusion, I would like to urge not only the House Subcommittee on Postsecondary Education, but the entire Congressional body, as they examine reauthorizing the Higher Education Act of 1965 and related measures, to give their attention to preserving and strengthening private higher education. This can be achieved by making sure that the federally funded student aid programs enable all students to have access to higher education, and that they can realistically choose the institution that they would like to attend.

I have requested our Director of Student Financial Aid, Mr. Gary Rohmann, to provide your Subcommittee with some ideas and recommendations which we would like to see considered during the reauthorization process.

Thank you for allowing me to submit this testimony on behalf of Mount Vernon Nazarene College and Private Higher Education.

Respectfully submitted,

L. Guy Nees
President

Mr. FORD. I would like to make a couple of short observations. The first one is that I am interested in President Bonds' references to what other world powers are doing with education vis-a-vis our national efforts. This committee, under Chairman Jim O'Hara of Michigan, went to Russia a few years ago.

Two of the committee members were arrested at one time or another during their secret visit. But nevertheless they brought back to us a very interesting perspective on what has been happening there.

During this past Easter recess, the committee had the opportunity to spend some time with educators and government officials in both Japan and the People's Republic of China. An interesting thing about the rhetoric they presented on these visits about their objectives and their goals is that they did not consider very important the kind of pluralistic system of postsecondary education that has grown up on this county and they do not feel this is something they can afford.

They acknowledge in discussions that it would be very nice if they could have a broader system, but they feel that the necessities of size and restraints on their resources are such that they must concentrate on a screening system that would produce for the good of the State the highest number of people trained for the particular fields that they think from time to time are most important.

We owe the Russians in higher education at least one debt of gratitude, and that is what they did for us in sending sputnik around the world and shocking the American people into support for many of the suggestions that the Truman commission suggested in an era when it was considered heresy to talk about massive Federal aid of any kind for colleges and universities.

The advent of sputnik brought about a public reaction that made it possible for Members of Congress to respond first with the National Defense Education Act. That was really the camel's nose under the tent, if you will, of moving in the direction we have been moving in for the past 15 or 16 years.

I note on a little chart that the staff just gave me a comparison between the years 1970, 1976-77, and 1978-79 for the schools that we have been discussing here. Ashland, founded 1878, had a student population of 2,872 in 1970, 2,800 in 1976-77, and 2,208 in 1978-79 and shows a drop between 1976-77 and 1978-79.

But as you go down through the other schools, you find that the 1978-79 population was relatively stable with the exception of the newest of all of them, Mount Vernon Nazarene, which continues to show growth during this 10-year period. I will ask that we put this chart in the record to show a remarkable resilience in maintaining, after 10 years, approximately the same student population in numbers that we started the decade with.

[Material referred to appears at the end of hearing.]

Mr. FORD. This raises the question as to whether or not you experienced a change or are anticipating any change in the type of student body that you have been serving as we look toward the introduction of so-called nontraditional schools.

It is safe to assume that, if you were able to maintain present student levels with other conditions being what they are, something else would have to change, unless we are able to provide additional resources? President Bonds?

Mr. BONDS. Chairman Ford, first of all, and quickly, let me just glean any enchantment with the higher education system of Russia or China. I simply pointed out that they had recognized the utility of higher education as a means to achieve a national end.

That same thing is true in other developing countries as well. I would not trade our pluralism. I wouldn't trade our troubles for all of theirs.

I make this point: In 1973, we had 2,460 students. At the beginning of the present year, we had 1,900 undergraduate full-time students.

Now in 1978-79, however, our overall enrollment is 3,250, because we have gone out very strongly in the graduate and adult education level, and we have brought in persons who are taking substantially different kinds of programs. However, in those cases, many companies are paying for the tuition.

The difficulty which we are confronted with, I say "we" advisedly here, is that for the undergraduate full-time student it has become increasingly difficult, because of the enormous increase in tuition cost within the past 9 years just to take the time frame you have used.

Mr. **Ford**. Does anyone else care to comment?

Mr. **Good**. Yes, may I, Mr. Chairman? Even the colleges and universities assembled here represent a fairly considerable diversity. I would like to direct your attention, in answer to your question, to the situation as it will confront the independent, privately financed, undergraduate liberal arts residential institution in the 1980's, many of which are located in areas that make it quite inappropriate for them to attempt to expand diversity and their educational systems to meet new markets.

Denison University, as would be the case of Kenyon, is located in a small rural area put there by church fathers of many generations ago to keep our students away from the glare of city lights and other diversions and temptations of large cities.

The fact of the matter is that we were established to contribute to the creation of leadership in our society and to do so at the level of the baccalaureate, and to do so in terms of what has come to be known as the liberal arts curriculum.

It is a unique contribution that American education has made to the field of higher education. It must be preserved. It is going to be difficult to do so.

We are going to go down by 25 percent in college age cohorts in the next 10 or 12 years. Somebody has to suffer that loss. We can't all maintain our enrollments at the current level in traditional curricula and cater to the college age cohort.

Now, as we go down in size as we are going to be obligated to do so, we are going to go up in terms of costs. That is to say, we won't be able to take advantage of the economies of scale. That is going to be a problem that we are all going to have to cope with.

It is occurring at precisely the time when public institutions, of which I am strongly in favor and where I believe we must have quality institutions, are themselves moving increasingly into the areas of corporate and individual contributions, which, historically, have been the major preserve of the private institution.

The fact of the matter is that the development offices of many of our public institutions are now much more sophisticated and much better staffed at the expense of the taxpayer than are the development operations of the private institutions.

As that phenomenon proceeds, we are going to have to work out some kind of cooperation between the public and private sectors in order to assure the quality of the private sector as we move into this era of scarce resources, including scarce student resources. That is part of the challenge that we are all facing.

I would say that it is going to be a matter of national priority before the decade of the 1980's is concluded, to assure that these private institutions not only survive but flourish.

Mr. **Ford**. I would like to observe that very recently we had testimony from the Department of Health, Education, and Welfare, on a study that was made on student costs. It was interesting to observe in that study that on a percentage basis the private and nonpublic 4-year college reflected the lowest percentage in the last decade in increase of costs to the student through increased tuition.

It is not completely fair to make the comparison with the group that showed up as the highest, because it was in the community and junior college area where a small change in tuition represents a substantial change in percentages. The shift during that decade shifted a little bit more of the responsibility toward tuition than had been the case in the early days of the community junior college phenomenon.

The figures they gave us show that the average public institution increased in student costs by 10 percent during that decade, and the average private institution increased 7 percent. That included the 3 percent of the private institutions that are classified by them as the high cost private institutions.

They also increased student costs by only 7 percent.

This study was very helpful to us, because it confirmed some of the things that we were saying during the enactment of the Middle Income Student Assistance Act last year, when many of the people advocating other approaches had been saying that what we were really trying to do was to respond to this tremendous increase in student cost, and that, in fact, we were going to fire the flames of education inflation by providing more student assistance.

And the record of the last decade will indicate that you people have done a remarkably grand job of holding student costs down. A heading in the Chronicle of Higher Education of April 23 of this year read "Increase in Earnings of College Endowments Smallest Since 1974."

I think that's apropos of the observations of President Good. There are more people competing with you now for the buildup of the endowments.

I notice, for example, in this study the absence of the University of Texas, which will soon exceed in its endowment Harvard, which has been so large that no one thought they would ever be approached.

But you might be interested in what we learned down there last fall when I attempted to scold a group of State college and university presidents about the fact that none of them seemed to be very familiar with how much money Federal student assistance meant to the institution.

The chancellor of the university system was very kind and did not raise a point during the meeting, but later in his office he showed me a map of west Texas with most of west Texas colored in blue.

He said:

> Bill, all of the blue part represents land that we own for our educational excellence foundation here. We now have some 607,000 producing oil or gas wells on that land.

I said, "That's wonderful. How much money does that bring in to improve the educational excellence foundation?"

He said:

> Ten years ago, when I took over, I asked the managers of the fund to project for me what the income would be, so I could do some kind of advance planning. They told me that by 1978 it would probably be some place around $8 million.

He said:

They were right with the figure, but they were a little bit wrong with the timing, because due to what's happended since OPEC jacked the prices up in 1974, we now find that we are taking in $8 million a month during the year of 1978.

So you can understand how they are going to catch up and exceed Harvard's endowment in a short time. It boggles the mind to think of $8 million a month coming from any source into education, but some time a long time ago some legislators gave UT the land. It was originally given to them with the idea they would sell the land for 50 cents an acre. It is 1,200,000 acres. They were going to sell it for 50 cents an acre.

That would have created the endowment, but nobody would pay 50 cents an acre. Then later people found the oil. Those stories are extraordinary for higher education, and the traditional ways in which private or nonpublic institutions have been supported from other than governmental sources are being eroded in large part by changes in people's attitudes, I suppose. We are not sure any more, as a matter of fact, if the student body will accept the investments that your endowment has. Maybe that was the wrong phrase at the wrong time.

Mr. ASHBROOK. You are a day early.

Mr. FORD. A day early for the demonstration. I am going to call on Mr. Ashbrook, but I think there is something that needs to be said here in Ohio.

I mentioned, John, that we rarely disagreed on educational issues and rarely agreed on labor issues.

Mr. ASHBROOK. That is a fair statement.

Mr. FORD. But the Middle Income Student Assistance Act we believe was the important breakthrough to expanding the constituency of Federal aid programs, and thereby assuring their continued and broadening public support. It was nip and tuck at the very end of the session as to whether or not we would be able to go to the floor, because we had some members who were angered enough to threaten various activities to tie us up, which caused the leadership of the House to develop a reluctance to recognize me for the purpose of calling the bill.

I think that it is worth noting and should be noted, because the press never reported and they never knew what was happening, that Mr. Ashbrook, a great conservative from Ohio, was the person who came to me and gave me the reassurance that made it possible to convince the leadership to bring the bill to the floor, and did things necessary with his substantial influence on that side of the aisle to make it possible for us to bring the bill up, which, as you know, passed by an overwhelming majority of the house once we were able to reach it.

I don't know that anybody said that about what happened that night publicly, John, and I hope it doesn't get you in any trouble with the Republican Party. But all of us who worked on the legislation appreciate what you did.

Mr. ASHBROOK. Thanks, Bill. I think what you are saying is that I headed up the hell raisers, and on that occasion I had them heading in another direction. One of my reflections on Congress, and I think we are running into that same problem right now, I am usually one of those—the important people speak in the beginning, and by the time you get to my time, my time is down. And I start feeling a little bit for the students and those later on on the panel.

While we have you gentlemen here and it is an excellent time to pick your brains, I think you realize we could spend 3 days going over the problems on higher education, but there are several things I would like to throw at you for your views.

We see what's happening to the railroads. We see the problems of the cities. I think it is fair to say that Congress did not prepare itself for some of the realities of the late 1970's, and maybe we are doing that for the 1980's.

I remember when I went to law school that my tuition was $130 a quarter. It is very hard to relate to students that have to go out and get into thousands of dollars for the same thing.

I can remember walking into Ohio State Law School, and there was a veteran standing beside me. He said, "I would like to go to law school," and Mrs. Bucic said, "You come to class Monday and enroll, and I will enroll you." That's how times have changed.

Now you are into tests and applying to 20 different colleges to get in. But I guess that's a preface to looking ahead for 5 or 10 years. We don't know whether we are going to let the railroads go bankrupt and what will happen to the cities, and we might get down to colleges eventually.

I was just looking at some of the figures from 1965 to 1972. Approximately 50 percent went to student assistance. Out of the $5.1 billion, $4.7 billion go to student aid, and $400 million go to institutional aid. I think we all understand that student aid in a way helps the college, but the lowering of institutional aid may create some of the problems.

Maybe I am asking the wrong question of five presidents, because as I understand your colleges will probably be the least likely to face bankruptcy or go out of business. But what is the general thinking at your level of leadership in the academic community?

Just start with basics. Does Ohio really need 50 private colleges? What will we do if we get to the point that 5 or 10 or 15 go bankrupt? Do we subsidize them? That is a hard question.

If we are going to set some policies, what do we do at that point if we ever get to that hard place? And if anybody in this room thinks we may not get there, they are probably not being realistic. That's not an easy question.

Phil, you look like you have something you want to say.

Mr. **Jordan**. I would simply note as a historian that from time to time we have had periods of expansion in the number of institutions in this country, and from time to time we have experienced contraction. And there has been a winnowing process. It seems to me we may have in the 1980's such a winnowing process in which the institutions that serve important clienteles and serve them well will make appropriate adjustments and survive and perhaps even gain in vigor. Others may be unable to justify continuing existence.

I think that there are probably some institutions in existence, which ought not to continue, unless they can change so as to make an important claim of service to an important clientele.

Mr. **Ashbrook**. Just looking at your panel, and I know the colleges reasonably well, a lot of the future of the small independent institutions will depend on the outcome of debate, which is raging.

It is raging at the high school level and raging at the academic level. Whether or not we emphasize career or work-related education or liberal arts—now, Berea and Ashland have a combination of both. Kenyon and Denison would probably be more liberal arts, and as Bob said, more likely to stay liberal arts.

If the future should mandate a little bit like we have in Ohio schools, increasing vocational, increasing in job-related education, what are we going to do to make sure that liberal arts doesn't start falling through the cracks in some areas, even in some of those areas where winnowing them out—maybe they deserved it—but what are we going to do to keep the traditional liberal arts high and not have everything go to work related?

We can always emphasize in education what we want. We see that at the high school level, and if that sweep comes to the college level, then maybe Dr. Bonds and Dr. Schultz will be a little more prepared for it, because they are teacher-related, and they are more directed toward career than those of you who just have liberal arts.

How does that fit into our overall prognosis? Bob or any of you?

Mr. SCHULTZ. I am concerned about that when you say we are a liberal arts institution in Ashland, but we have created such things as radio-TV programs, hotel restaurant management, a lot of career-oriented programs. And there are a lot of excellent programs. Students that have graduated have had fabulous success in employment.

The only way we can appreciate the liberal arts aspect is to make sure we have a strong curriculum, and that at least about one-third of all courses taken are in the liberal arts, that we give them a good solid background, especially in the first several years of education where they learn how to read, think, and write.

Mr. ASHBROOK. Phil?

Mr. JORDAN. If I could speak to the case of a classical and traditional liberal arts institution, I would, first of all, observe that skepticism about liberal arts education is nothing new in this country. We are a pragmatic culture, and from time to time the pragmatic temper leads to skepticism about the immediate practical benefits of liberal learning. And the alleged elitist connotations of liberal arts have been brought to public attention.

Similarly, we have had periods where liberal education has been seen to lack the advantages of specifically targeted vocational training. I think this kind of thing waxes and wanes historically depending on the state of the economy. For each of us, I believe the road to both survival and success is not to respond to rapid, short-term shifts in climate but to have a clear and coherent and well executed education mission. This is the mission of the small, selective residential liberal arts college.

I simply do not find that the generalized skepticism about liberal education that appears in the media has posed a problem for my institution. There are many, many Americans who seek continuing value in this.

Mr. ASHBROOK. I don't think we are talking about the Parsons type college situation. You are always going to have a branch of education that will appeal to whatever seems to be appropriate at the time, and you might talk about skepticism, but you have to temper that with hard realities.

In 1950, 50 percent of the college students went to private institutions. In 1960, 41 percent went to private institutions, and in 1979, it is anticipated 22 percent go to private institutions.

Now, you can theorize all you want, but those are the hard statistics and hard facts of life. It is a little bit like we see trends, creeping paralysis, which turns out to be the plot. You have to observe that, and I guess that's why we are concerned about private institutions, like it or not. That trend is there, and despite what Bill said, compared to public institutions, you are holding the costs about as well as anything.

But I know Art had a situation in Ashland College where you had a vast expansion, and then you had to cut down. Was it 40 or 50 faculty members that had to go?

Mr. SCHULTZ. Yes.

Mr. Ashbrook. There is a tendency, quite often, to pinch the students and faculty when retrenchment comes. I guess the overall question is looking 5 or 10 years down the line and saying, "We are going to do this, and if it gets to this point, we have to get plan A, B, C. Maybe we better get plan A, B, C, and D out."

I think you want to survive as private institutions, but what reality is down the road we might not see.

Bob, I know you have some strong thoughts.

Mr. GOOD. The trend you just alluded to is one that commands our attention, and, in fact, if the trend continues for another 25 years, we will be out of business. What you have seen over the past 25 years is a disproportionate growth in the public sector. The private sector hasn't declined. It is the public sector which doubled in size and redoubled in size, and now we are down to about 22 percent.

The key word here is "planning." There is no question about that, not only individual institutional planning, but planning within sectors and across sectors. I would have to say that I don't think that planning has been very effective anywhere. It has not been effective here in Ohio.

In the public sector, we planned so poorly that we have dormitories idle and thousands of beds not occupied in our public institutions and some private institutions.

There is no reason in the world why there can't be more effective planning between the independent and public colleges. As we look toward the needs of the next two decades, the notion that education is going out of style is ridiculous.

The notion that liberal arts is in a period of crisis, I think that is ridiculous. There is no crisis.

As I talk to corporate recruiters, I find they are looking for the kind of people that we traditionally have produced in our liberal arts educational institutions. These are the people who are qualified for leadership positions in the corporate world, the private world. That will be true in the future more so than has been true in the past.

But if we are going to succeed, we are going to have to plan, and those plans are going to have to be very realistic. Some are going to have to move across the independent and public sector, interacting with one another.

Mr. Ashbrook. Two quick points, and then trying to be true to our word, we are just going to have to move on to some of the rest of the panel, because it won't be fair if we go much further. But not wanting to pit the private against the public, and we are here as representatives of the committee of the Congress looking at Federal programs, this is a tough question. But is it possible that any of the Federal programs that we enact with the idea of helping education have ended up hurting you in the private sector as against public institutions?

Second, one of the good things we have done in the Congress in the last several years is to require a little bit of oversight of what we do. We tend to pass laws and forget about them. Bill and a number of the members on the education committee who operate, in effect setting out the requirement of the Federal agencies to look to the States and the local people and say, "What did we generate in the way of work as a result of what we did?"

The first reports came back in February. We find that in secondary education we caused the generation of about 6 million hours of paperwork in the various programs we had, which resulted in roughly 4,000 man-person, man-woman years, whatever you want to call it nowadays, of employment in this country just in the paperwork.

So I guess it is a hydro-headed question. To what extent do you think Federal programs may have helped contribute to the decline in enrollment, and second, the degree of administrative burden that comes from what we have done trying to "help you?"

After adding those two things into the picture, with that, I will relinquish my questions. Any of you. Dr. Danenberg, would you like to handle that? Dr. Bonds?

Mr. Bonds. My institution is somewhat unusual in that it is located on the outskirts of Cleveland. Within a 40- or 50-mile radius, we have a population of around 5 million people. Our largest department is business administration.

Our second largest is the conservatory of music. Within the last several years, we have enlarged the number of courses in the correspondence, because we have felt that our young people were not receiving an adequate amount of basic preparation they would require for the changes and adjustments they would have to make when they got out of college.

Strangely and interestingly enough, the business administration people have been among the ones who have supported this move very vigorously, because they realize that we are in a world of change.

Rather than teaching Marketing 231 as if it were the end of the world, they want to see these youngsters trained in English, history, economics, the various arts and sciences, so that they will have the mental power and adjustment power to change from whatever techniques of marketing we may teach now to something entirely new that will be coming along 5 years from now.

I think you will find in these liberal arts colleges there is a profound recognition of what I am very glad to hear you say; that people do need to change, and we are attempting to prepare them for change at our place.

Mr. Ford. Gentlemen, I really don't want to be rude, but I am going to have to be rude. We have two more panels and very little time left. I would like to thank you very much.

And for this panel and anyone else in the room, the record of these hearings will be held open. It looks like we are going to be going through June, at the very least, possibly into July with hearings. We will be very pleased to have any supplemental statements that you wish to make or anybody else in the room would like to make, either on your own initiative or in response to what you have heard from the witnesses testifying today.

If you forward them to us, we will see that they are entered in the record with the proceedings of today's hearing. Thank you very much.

Now I would like to call a panel of students:

Mr. Lester L. Barclay, Oberlin College; Ms. Leslie Janzen, Baldwin-Wallace College; Mr. Daniel Aichele, Denison University; Ms. Diane Kana, Kenyon College; Mr. Richard Fuhrmann, Mount Vernon Nazarene College; Mr. Moses G. Hogan, Oberlin College.

Without objection, the prepared statements submitted to the committee by the members of this panel will be included in full in the record at the proper point, and we will ask the panel members, starting with Mr. Barclay, to comment on their statements, add to them as they feel most comfortable. Mr. Barclay?

STATEMENT OF LESTER L. BARCLAY, STUDENT, OBERLIN COLLEGE

Mr. Barclay. Mr. Chairman and members of the subcommittee, I am Lester Barclay, a student at Oberlin College. It is a privilege to talk to you this morning and provide you with a personal view of the impact and effectiveness of Federal student financial aid programs.

I am a sophomore here at Oberlin College, majoring in government and economics, and I hope to pursue a career in law and politics. Also, I am a special services student, and totally dependent on financial assistance to meet the cost of college. I grew up in the inner-city area of Chicago, and I am a member of a family of 11 children with only my father employed.

Throughout my 12 years a student in the Chicago public school system, I attended schools which did not provide me with strong basic fundamentals for academia. Graduating from a high school in which the average ACT score was an 11 out of a possible 36 points, as compared with national average of 18, I was a personal witness to some of the effects of inadequate academic training.

In my second year of high school, I became aware of the Upward Bound program at Roosevelt University. I found out about the program through a high school friend.

I was attracted to it because of its personnel, the chance to have fun and meet new friends, the college curriculum offered, and the monthly stipend made available to participants.

Upward Bound played an important role in my being at Oberlin College today. Over a period of time, I began to develop writing and other verbal skills which otherwise I wouldn't have had. In addition, the program helped build my confidence to compete academically.

Through simulated college courses, emphasizing math, English, and history, I was able to combine this training with the training I received in school. As a result, I scored higher than the average student at my high school on the board test.

You can see that I needed additional motivation to excel, since I came from a high school class in which almost 1,500 students enrolled as freshmen, but only 465 graduated with me. Through Upward Bound, my will to go to college was reinforced.

When I came to Oberlin in the fall of 1977, I realized that I was still unable to compete academically at full potential. Although Upward Bound had helped me to overcome some of these academic deficiences, there was still quite a bit of catching up to do.

Here at Oberlin, I found the special service program easily accessible and responsive to my needs. Courses on developmental reading and writing were essential during my first year.

In addition to these two courses, there were tutors available to assist me in math and economics courses. The peer counselor program is another resource which is helpful to me. It is indeed more comfortable for me to talk with a peer about my problems, whether these problems be academic or social.

The special services program also has been supportive of conferences and forums which relate to minorities in America.

Recently, Oberlin's special services sponsored several students and me from the Oberlin Law Society to attend to the Minority Prelaw Conference at the University of Iowa in Iowa City. The information which we obtained at this conference we were able to share with other members of the group.

I would not have been able to attend Oberlin College or any other college without financial assistance. Awards such as the BEOG and the SEOG are necessary for me to complete my undergraduate education and to be able to attend law school. In addition to these two grants, the national direct student loan, as well as the college work study program have assisted me in overall expenses for college.

Also, unlike many other institutions of higher education, Oberlin College has made a fairly strong commitment to helping minority students in need.

This fall, I hope to combine academic training with practical experience. I plan to be a Washington representative with the U.S. Student Association, working on programs for minority education, such as the TRIO program.

Quality education is expensive. Through financial assistance from the Federal Government, disadvantaged students like me are able to exercise productively an otherwise severely restricted potential. America and its impoverished communities desperately need competent, capable, and concerned leaders. Without equal educational opportunity, that need will go unmet. Thank you.

[Prepared testimony of Mr. Barclay follows:]

TESTIMONY BEFORE THE U.S. HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON POST-SECONDARY EDUCATION

May 14, 1979
Oberlin College
Oberlin, Ohio

Testimony of Lester Barclay

Mr. Chairman and Members of the Subcommittee, I am Lester Barclay, a student at Oberlin College.

It is a privilege to talk to you this morning and provide you with a personal view of the impact and effectiveness of Federal Student Financial Aid Programs.

I am a sophomore here at Oberlin College, majoring in government and economics, and I hope to pursue a career in law and politics. Also I am a Special Services Student (SSS), and totally dependent on financial assistance to meet the cost of college.

I grew up in the inner city area of Chicago, and I am a member of a family of eleven children, with only my father employed. Throughout my twelve years as a student in the Chicago Public School System, I attended schools which did not provide me with strong basic fundamentals for academia. Graduating from a high school in which the average ACT score was an eleven out of a possible thirty-six points, as compared with the national average of eighteen, I was a personal witness to some of the effects of inadequate academic training.

In my second year of high school, I became aware of the Upward Bound Program at Roosevelt University. I found out about the program through a high school friend. I was attracted to it because of its personnel, the chance to have fun and meet new friends, the college curriculum offered, and the monthly stipend made available to participants.

Upward Bound played an important role in my being at Oberlin College today. Over a period of time, I began to develop writing and other verbal skills which otherwise I wouldn't have had. In addition, the program helped build my confidence to compete academically.

Through simulated college courses -- emphasizing math, English, and history, I was able to combine this training with the training I received in school. As a result, I scored higher than the average student at my high school on the board test. You can see that I needed additional motivation to excel, since I came from a high school class in which almost 1500 students enrolled as freshmen, but only 465 graduated with me. Through Upward Bound, my will to go to college was reinforced.

When I came to Oberlin in the fall of 1977, I realized that I was still unable to compete academically at full potential. Although Upward Bound had helped me to overcome some of these academic deficiencies, there was still quite a bit of "catching up" to do. Here at Oberlin, I found the Special Service Program easily accessible and responsive to my needs. Courses on Developmental reading and writing were essential during my first year.

In addition to these two sources, there were tutors available to assist me in math and economics courses. The peer counselor program is another resource which is helpful to me. It is indeed more comfortable for me to talk with a peer about my problems -- whether these problems be academic or social.

The Special Services Program has also been supportive of conferences and forums which relate to minorities in America. Recently, Oberlin's Special Services sponsored several students and me from the Oberlin Law Society to attend the Minority Pre-Law Conference at the University of Iowa, in Iowa City. The information which we obtained at this conference, we were able to share with other members of the group.

I would not have been able to attend Oberlin College or any other college without financial assistance. Awards such as the BEOG and the SEOG are necessary for me to complete my undergraduate education, and to be able to attend law school. In addition to these two grants, the National Direct Student Loan, as well as the College Work Study Program have assisted me in overall expenses for college. Also, unlike many other institutions of higher education, Oberlin College has made a fairly strong commitment to helping minority students in need.

This fall, I hope to combine academic training with practical experience. I plan to be a Washington representative with the United States Students Association -- working on programs for minority education, such as the Trio Programs.

Quality education is expensive. Through financial assistance from the Federal Government, "disadvantaged" students like me are able to exercise productively an otherwise severely restricted potential. America and its impoverished communities desperately need competent, capable, and concerned leaders. Without equal educational opportunity, that need will go unmet. Thank you.

Mr. Ford. Thank you very much. We will proceed through the panel. Leslie Janzen.

STATEMENT OF LESLIE JANZEN, STUDENT, BALDWIN-WALLACE COLLEGE

Ms. Janzen. My name is Leslie Janzen, a senior at Baldwin-Wallace in Berea. I would like to take this moment to express my appreciation of the honor extended to me by having been asked to testify before the Sub-committee on Postsecondary Education.

My own personal experience with Federal student financial aid programs has been extremely good. Had it not been for the financial aid awarded to me by Balwin-Wallace College, I would have been unable to attend school.

Currently, I would say approximately 75 percent or more of my college tuition and room and board costs are covered by my financial aid award in the forms of grants, loans and work-study jobs.

My father is a retired professional music educator; my mother a church and community associate for the United Methodist Church. I have two brothers, one of whom is enrolled in UNC-Chapel Hill, going for a bachelor of science degree in physics and computer science.

When I was applying for college, I was told by my parents that my further education was almost entirely dependent upon the amount of financial assistance I would receive.

Fortunately, I was awarded a package of financial aid by Baldwin-Wallace, which has, over the past 3 years, funded up to 75 percent of my educational cost. The form of this package was, and is currently, that of loans, scholarships, grants, and work-study jobs.

I can only think of this package as a subsidy awarded to me by both the Federal Government and Baldwin-Wallace.

The contractual nature in which I view this has put some extra pressure upon me to do well academically. It is my belief that the majority of students who receive financial aid also see it as a contract—how well we do academically depends on whether or not we stay in college.

As for what I have done or will be doing with my subsidized education, for I can think of no better way to put it, I will be graduating from Baldwin-Wallace this June with magna cum laude status. I have been accepted by four graduate schools in programs of master of the arts in economics and master of international management.

I will be attending Baylor University in Waco, Tex. as a full-time graduate student in their masters of international management with a full graduate assistanceship.

America has one of the greatest amounts of human capital in the world. Human capital refers to higher education on the postsecondary level and technical training.

Human capital enables the human mind, through enlightenment and learning, to create, to break down problems, to solve them in an innovative manner.

The Higher Education Act of 1965 has done a great deal to make the potential for increased human capital a reality by enabling talented individuals who would otherwise be unable to attend institutions of higher learning to go on, to push themselves further.

Education insures us of a strong, stable world in the future. It increases the scope of people's understanding.

In all aspects of dealing with the same issue of whether or not higher education should be funded, and if so by what amount, the question arises of how to measure the benefits of education in dollar terms.

It is very easy to measure the cost of education for most private liberal arts institutions. In this area, it comes to about $5,000 a year for tuition costs alone. Room and board push this expense even higher.

But how does one measure the benefits of higher education in dollar terms? One cannot. The benefits must be measured in human terms such as personal growth and a broader understanding of this vastly complex world in which we live.

Thank you very much.

[Prepared testimony of Leslie Janzen follows:]

PRESENTED BEFORE THE HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON POST SECONDARY EDUCATION HEARINGS ON THE HIGHER EDUCATION ACT OF 1965 HELD IN CLEVELAND, OHIO ON MAY 14, 1979.

Testimony of Leslie Jansen, Baldwin-Wallace College

Good morning. My name is Leslie Jansen, and I'm a senior at Baldwin-Wallace College in Berea, Ohio. I'd like to take this moment to express my appreciation of the honor extended to me by having been asked to testify before the Subcommittee on Post Secondary Education.

My own personal experience with Federal student financial aid programs has been extremely good. Had it not been for the financial aid awarded to me by Baldwin-Wallace College, I would have been unable to attend the school. Currently, I'd say approximately seventy-five (75%) percent or more of my college tuition and room and board costs are covered by my financial aid award in the forms of grants, loans, and work-study jobs.

As for what I've done, or will be doing, with my subsidized education, for I can think of no better way to put it, I will be graduated from Baldwin-Wallace College this June with magna cum laude status. I have been accepted by four (4) graduate schools in programs of Masters of the Arts in Economics and Master of International Management. I will be attending Baylor University in Waco, Texas as a full time graduate student in their Master's of International Management with a full graduate assistnantship.

America has one of the greatest amounts of human capital in the world. Human capital refers to higher education on the post secondary level and technical training. Human capital enables the human mind, through enlightenment and learning to create, to break down problems and solve them in an innovative manner. The Higher Education Act of 1965 has done a great deal to make the potential for increased human capital a reality by enabling talented individuals who would otherwise be unable to attend institutions of higher learning to go on, to push themselves further.

Education ensures us of a strong, stable world in the future. It increases the scope of peoples' understanding. In all aspects of dealing with the issue of whether or not higher education should be funded, and if so by what amount, the question arises of how to measure the benefits of education in dollar terms. It is very easy to measure the cost of education-for most private liberal arts institutions in this area it comes to about five thousand dollars ($5000) a year for tuition costs alone. Room and board push this expense even higher. But how does one measure the benefits of higher education in dollar terms? One cannot. The benefits must be measured in human terms such as personal growth and a broader understanding of this vastly complex world in which we live.

Thank you very much.

Mr. **Ford**. Mr. Aichele?

STATEMENT OF DANIEL AICHELE, STUDENT, DENISON UNIVERSITY

Mr. **Aichele**. My name is Danny Aichele, and in 2 more weeks—the first thing I would like to say is that I am grateful to those who have created and supported the various programs that made my education through grants and loans possible. Without these programs, I would not be graduating in 2 weeks from Denison or any other institution.

I am a chemistry major, and upon graduation I will be working at Battelle Laboratories in Columbus, Ohio.

It is the subject of loans that I would like to talk about today. In my 4 years at Denison, I have taken out two kinds of loans: $2,000 under the national direct student loan program and $5,000 in guaranteed student loans from a bank back home.

These loans brought me through school, and I desire and intend to pay them back. Unfortunately, the money to pay the loans with may not be all that accessible.

I would like to go on to graduate school, but I don't feel that I can afford to borrow any more. So I plan to pay off what I already owe first. Under the present payback system, even that will not be easy.

My starting salary at Battelle will be about $11,000 a year. If Denison permits me to make the minimum NDSL payment and my bank allows me 10 years to repay, my combined monthly payment will be about $90. It is going to be hard to pay that much in the first few years, because my earnings will be low, but my startup costs will be high.

A graduated repayment structure would be more feasible, allowing for smaller payments when I am out of school and larger ones after I have been working for a while.

Also, if all my loans had been made through one lending institution instead of two, the amount paid per month would be less: $65 under NDSL or $80 under GSL. So having part of my debt in the lower interest NDSL program may actually be a disadvantage for me in the first few years.

Knowing this makes me very interested in the possibility of creating one agency to collect all student loans. This would make it easier for the student to plan out his repayments over the years after his graduation is complete.

Thank you for your attention to these comments.

[Prepared statement of Mr. Aichele follows:]

STATEMENT PRESENTED BY DANIEL G. AICHELE, STUDENT, DENISON UNIVERSITY

Mr. Chairman and Members of the Subcommittee:

My name is Danny Aichele, and in two more weeks I will be a graduate of Denison University. I am a Chemistry Major and upon graduation I will be working at Battelle Laboratories in Columbus, Ohio.

The first thing I'd like to say is that I'm grateful to those who have created and supported the various programs that made my education, through grants and loans, possible. Without these programs I would not be graduating in two weeks from Denison or any other institution.

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Also, if all my loans had been made through one lending institution instead of two, the amount paid per month would be less: $65 under NDSL or $80 under GSL. So having part of my debt in the lower interest NDSL program may actually be a disadvantage for me in the first few years. Knowing this makes me very interested in the possibility of creating one agency to collect all student loans. This would make it easier for the student to plan out his repayments over the years after his education is complete.

Thank you for your attention to these comments. I would be happy to answer any questions you may have at this time.

Mr. FORD. Thank you very much. Diane Kana, Kenyon College, a senior.

STATEMENT OF DIANE KANA, STUDENT, KENYON COLLEGE

Ms. KANA. Representative Ford and members of the subcommittee, I am here to testify and discuss the impact and effectiveness of the Federal student financial aid programs. In my personal situation, I come from a working class family of four.

Although both my parents are working, their combined incomes are unable to meet the costs of a small private liberal arts college.

If it had not been for the various Federal programs, I would not have been able to attend Kenyon College these past 4 years. My only alternative would have been to attend a State university while working and living at home in order to defray costs.

To sum up the various aid I have obtained: each of my 4 years at Kenyon, 1975–79, I received a national direct student loan, the total sum amounting to $2,600.

During the 1977–78 and 1978–79 school years, I received $1,028 from the basic equal opportunity grant. I have participated in the student work study program each year, working 5 hours per week at minimum wage. In 1976 I participated in the summer work study program.

Concerning the national direct student loan, I feel that its main strengths are that it helps the student finance his or her education while having interest deferred until 9 months after graduation, and when the interest does begin to accure, the rate is low enough so that it does not financially overburden the borrower.

The BEOG also has helped with part of my tuition costs. I was very pleased when I was able to apply the national direct student loan and BEOG money to an offcampus program in South America where I spent the second semester of my junior year. I was unable to apply my Ohio instructional grant.

The work-study program at Kenyon guarantees financial aid students some type of student employment. The money I received from work-study went toward transportation costs, books, and provided me with spending money.

I participated in the work-study summer program in 1976. I was fortunate in that I was hired by a nonprofit organization that employed me from mid-May until the end of August, even though the 80-percent Federal funding of wages did not begin until July 1.

From my experience, nonprofit organizations, when knowing the guidelines and legitimacy of the work-study program, are usually very eager to hire a qualified student.

The main reason I did not participate in the work-study summer program during the past 3 years is that I was seeking employment in May, and the organizations were unable to pay me until funding began in July.

Concerning my academic record, I have done very well. I hold a 3.7 grade average. Presently, I am looking for employment with intentions of doing graduate work within the next few years. Thank you.

[Prepared statement of Ms. Kana follows:]

STATEMENT BY DIANE KANA, STUDENT, KENYON COLLEGE, OBERLIN, OHIO

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To sum up the various aid I have obtained: each of my four years at Kenyon (1975-1979) I received a National Direct Student Loan; the total sum amounting to $2,600. During the 1977-78 and 1978-79 school years I received $1,028 from the Basic Equal Opportunity Grant. I have participated in the student work-study program each year; working five hours per week at minimum wage. In 1976 I participated in the summer work-study program.

Concerning the National Direct Student Loan, I feel that its main strengths are that it helps the student finance his/her education while having interest deferred until nine months after graduation, and when the interest does begin to accrue, the rate is low enough so that it does not financially overburden the borrower. The BEOG also has helped with part of my tuition costs. I was very pleased when I was able to apply the National Direct Student Loan and BEOG money to an off-campus program in South America where I spent the second semester of my junior year. I was unable to apply my Ohio Instructional Grant.

The work-study program at Kenyon guarantees financial aid students some type of student employment. The money I received from work-study went toward transportation costs, books, and provided me with spending money. I participated in the work-study summer program in 1976. I was fortunate in that I was hired by a non-profit organization that employed me from mid-May until the end of August, even though the 80% federal funding of wages did not begin until July 1. From my experience, non-profit organizations, when knowing the guidelines and legitimacy of the work-study program, are usually very eager to hire a qualified student. The main reason I did not participate in the work-study summer program during the past three summers is that I was seeking employment in May and the organizations were unable to pay me until funding began in July.

Concerning my academic record, I have done very well. I hold a 3.7 grade point average. Presently I am looking for employment with intentions of doing graduate work within the next few years.

Mr. FORD. Thank you very much. Richard Fuhrmann of Mount Vernon Nazarene College.

STATEMENT OF RICHARD FUHRMANN, STUDENT, MOUNT VERNON NAZARENE COLLEGE

Mr. FUHRMANN. I am Richard Furhmann, and I am here today to share with you my own experiences with the financial aid program of this country. I feel my wife and I, who are both students, have been extremely fortunate to have qualified for almost every grant that a student could hope to receive.

In addition to these grants, we have also received college work-study awards. These work-study awards have supplied us with money to meet our daily needs.

Another important aspect of work-study is on our financial aid applications it is considered an award and not employment, thus keeping our yearly income low enough to qualify for grants.

We appreciate the expansion of the BEOG to cover the rising cost of living. Due to these awards, we are relatively free from college-related debts. This testifies to the overall effectiveness of the financial aid program, but there still are problems. I would like to speak to you about these problems, not from an economist's or financial aid expert's point of view, but as an independent married student who is on the receiving end of the program.

Year by year, as my wife and I apply and reapply and as we talk with fellow students who apply for financial aid, we seem to run across three basic problems.

The first problem independent married students face is the policy of the program to base the amount of the award upon the previous year's income. I do not question the validity of this rule from the sophomore year on, but I do question its logic for a married couple who decide to return to college after making $11,000 or more the previous year.

This rule puts undue hardship on a couple whose problems are already compounded by the moving bills, and, in our case, nothing but extremely low paying jobs to support ourselves and substandard living quarters with high rent.

Because of our high income the previous year, we are awarded no grants and must use any savings we may have accumulated to pay the school bill.

When the savings are gone, we have no way of coping with the rising cost of living and the lack of health insurance.

The inevitable result for an independent married student is to take out some sort of loan. I would suggest a change in this rule.

Base the eligibility of any given couple not on the previous year's income, but upon the projected income for the first year of their return to school. I am aware of the problems this could cause because of dishonest projections. Therefore, I suggest that each college work closely and act as advisers to the independent married couple and help them come up with a fairly accurate projection with the stipulation that the couple report any substantial deviation from the projected income.

A problem I was faced with recently was the rule that a student loan recipient could only use the loan money for college-related expenses. The problem is not with the way the rule is worded, but with the way it is commonly interpreted by the banks.

It is my opinion that to an independent married couple, almost everything relating to their basic needs are college-related expenses. Take, for example, buying a car. Our college has no married student housing. So married students must live off campus and often far away. That means that a car is indispensable for their college education.

If they apply for a guaranteed student loan and the bank knows it is for a car, they will not qualify. So then they must use the remainder of dwindling savings to make a small downpayment which insures high monthly payments. This, coupled with no health insurance and the rising cost of living, makes it difficult to continue their education.

The last problem I would like to address to you is the problem of fixed income for the independent married student. If a couple tries to compensate for the rising bills, cost of living, and dwindling savings by working more hours or seeking higher paying employment, his awards are subsequently reduced to compensate for the higher income that was meant only to stabilize a shaky budget.

We are further restricted by the rule that states we cannot receive more than $750 from family or we will be declared dependents again and ineligible altogether for awards.

I suggest an extension on the amount we could earn before our awards are affected or an increase on the amount we can receive from family.

Now that my wife and I have passed our first difficult year of struggle, things aren't so bad. We have learned to live simply, and we rather enjoy it. As I said, my wife and I have nothing but praise for the program, and we are very thankful that it has made it possible for us to return to school and receive a good education. And yet there are problems. Thank you for allowing me to express them.

[Prepared testimony by Mr. Fuhrmann follows:]

MOUNT VERNON NAZARENE COLLEGE
MARTINSBURG ROAD • MOUNT VERNON, OHIO 43050 • (614) 397-1244

MAY 14, 1979

A PERSONAL TESTIMONY BY RICHARD FUHRMANN
(A STUDENT AT MOUNT VERNON NAZARENE COLLEGE)
REGARDING FEDERAL STUDENT FINANCIAL AID PROGRAMS AT
INDEPENDENT LIBERAL ARTS COLLEGES

Dear Congressman William Ford:
Congressman John Ashbrook:
Congressman John Buchanan:

I am here today to share with you my own experiences with the financial aid program of this country. I feel my wife and I, who are both students, have been extremely fortunate to have qualified for almost every grant that a student could hope to receive. In addition to these grants, we have also received College Work Study awards. These Work Study awards have supplied us with money to meet our daily needs. Another important aspect of Work Study is on our financial aid applications it is considered an award and not employment, thus, keeping our yearly income low enough to qualify for grants. We appreciate the expansion of the B.E.O.G. to cover the rising cost of living. Due to these awards, we are relatively free from college related debts. This testifies to the overall effectiveness of the financial aid program, but, there still are problems. I would like to speak to you about these problems, not from an economist's or financial aid expert's point of view, but as an independent married student who is on the receiving end of the program.

Year by year as my wife and I apply and reapply, and as we talk with fellow students who apply for financial aid, we seem to run across three basic problems. The first problem independent married students face is the policy of the program to base the amount of the award upon the previous year's income. I do not question the validity of this rule from the sophomore year on, but I do question its logic for a married couple who decide to return to college after making $11,000 or more the previous year. This rule puts undue hardship on a couple whose problems are already compounded by the moving bills and, in our case, nothing but extremely low paying jobs to support ourselves and substandard living quarters with high rent. Because of our high income the previous year, we are awarded no grants and must use any savings we may have accumulated to pay the school bill. When the savings are gone, we have no way of coping with the rising cost of living and the lack of health insurance. The inevitable result for an independent married student is to take out some sort of loan. I would suggest a change in this rule. Base the eligibility of any given couple not on the previous year's income, but upon the projected income for the first year of their return to school. I am aware of the problems this could cause because of dishonest projections. Therefore, I suggest that each college work closely and act as advisors to the independent married couple and help them come up with a fairly accurate projection with the stipulation that the couple report any substantial deviation from the projected income.

How can we deal with this

A problem I was faced with recently was the rule that a student loan recipient could only use the loan money for college related expenses. The problem is not with the way the rule is worded, but with the way it is commonly interpreted by the banks. It is my opinion that to an independent married couple, almost everything relating to their basic needs are college related expenses, take, for example, buying a car. Our college has no married student housing. So married students must live off campus and often far away. That means a car is indespensable for their college education. If they apply for a Guaranteed Student Loan and the bank knows it is for a car, they will not qualify. So then, they must use the remainder of dwindling savings to make a small down payment which insures high monthly payments. This coupled with no health insurance and the rising cost of living makes it difficult to continue their education.

The last problem I would like to address to you is the problem of fixed income for the independent married student. If a couple tries to compensate for the rising bills, cost of living, and dwindling savings by working more hours or seeking higher paying employment, his awards are subsequently reduced to compensate for the higher income that was meant only to stabilize a shaky budget. We are further restricted by the rule that states we cannot receive more than $750 from family or we will be declared dependents again and ineligible altogether for awards. I suggest an extension on the amount we could earn before our awards are affected or an increase on the amount we can receive from family.

Now that my wife and I have passed our first difficult year of struggle, things aren't so bad. We have learned to live simply and we rather enjoy it. As I said, my wife and I have nothing but praise for the program and we are very thankful that it has made it possible for us to return to school and receive a good education. And yet there are problems. Thank you for allowing me to express them.

Respectfully submitted,

Richard Fuhrmann

Richard Fuhrmann
Mount Vernon Nazarene College

Mr. **Ford**. Thank you. Moses Hogan, Oberlin College.

STATEMENT OF MOSES G. HOGAN, STUDENT, OBERLIN COLLEGE

Mr. **Hogan**. Mr. Chairman, my name is Moses Hogan. I am an Oberlin student. Since coming to Oberlin, I have had the opportunity to cultivate my talent with one of the finest conservatories of music in the country.

The best testimony I can give you is music. With your permission, Mr. Chairman, I would like to play a composition by Frederick Chopin. If you wish, I can submit a musical copy of the score. [Laughter.]

[Musical score presented by Mr. Hogan follows:]

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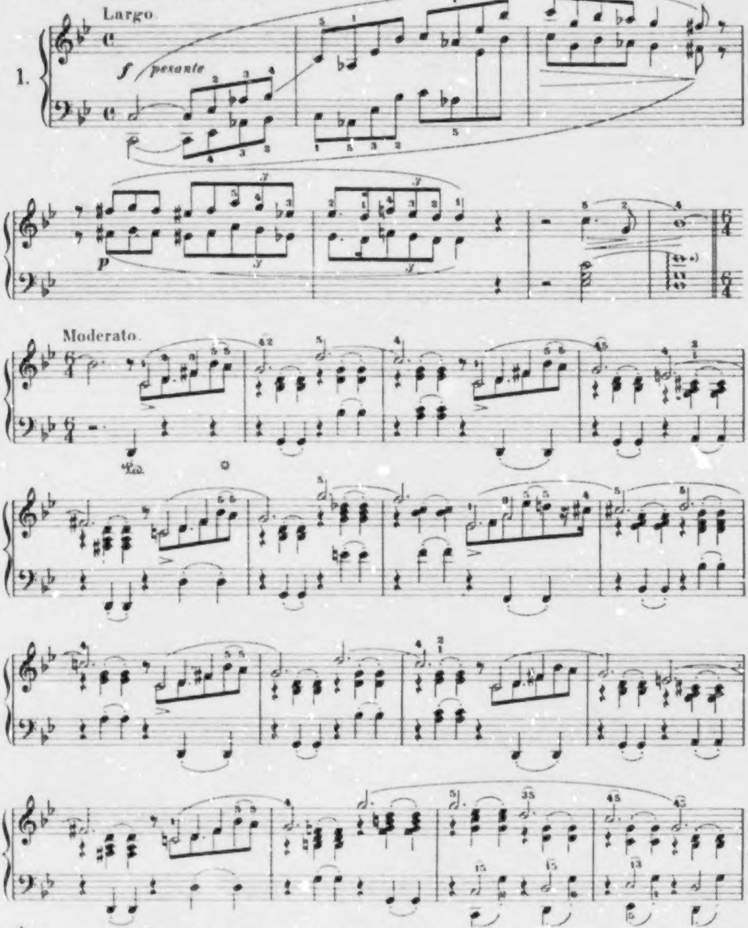
à Mr. le Baron de STOCKHAUSEN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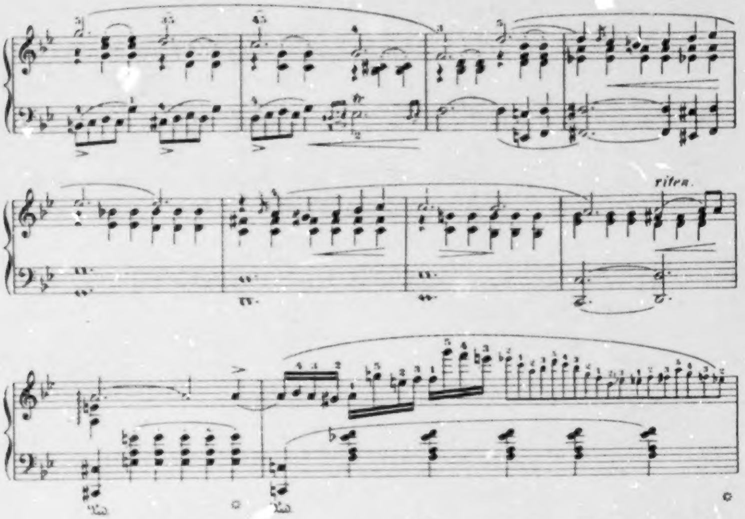
*) The Princess M. Czartoryska, Frau F. Streicher, and Dr F. von Hiller maintain the authenticity of this E♭ in opposition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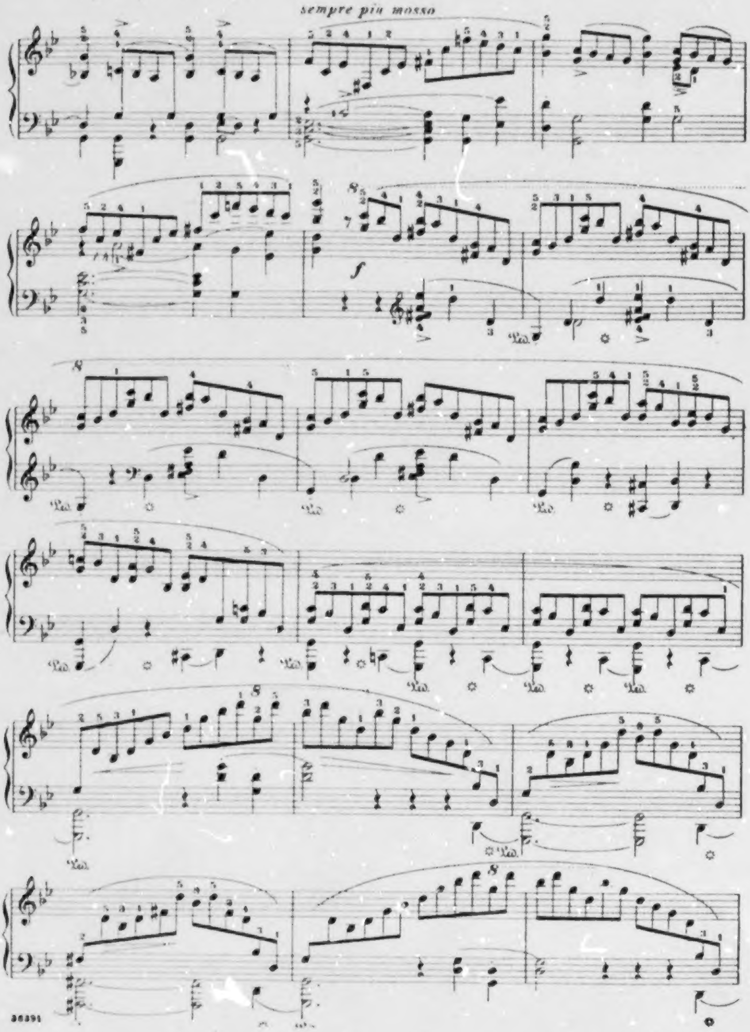
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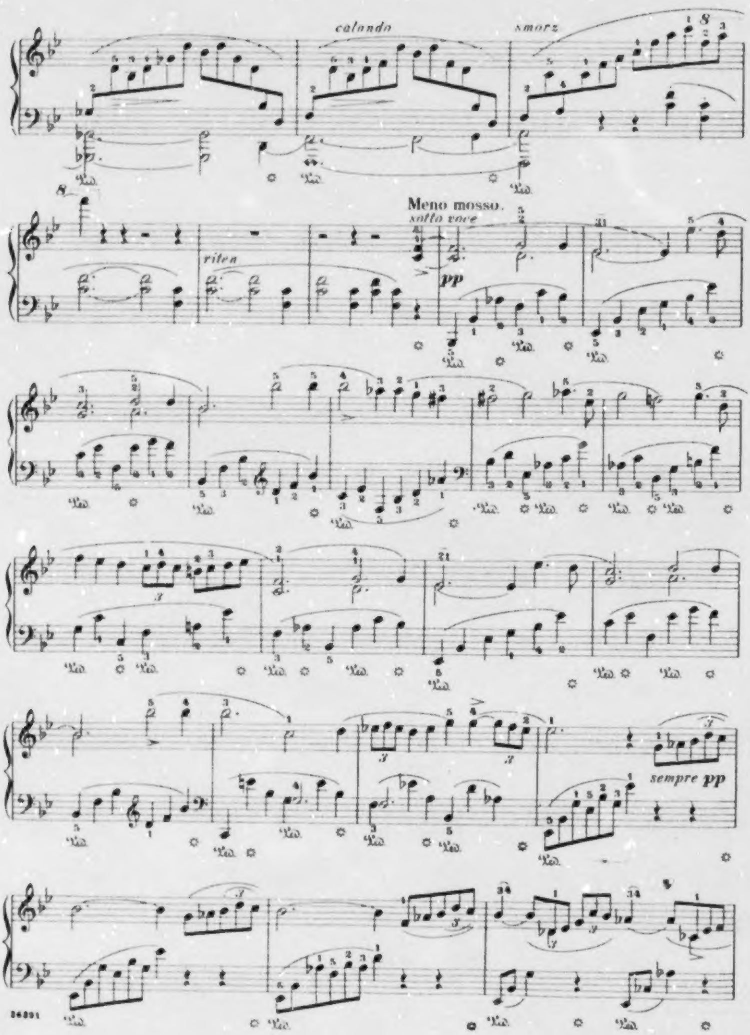
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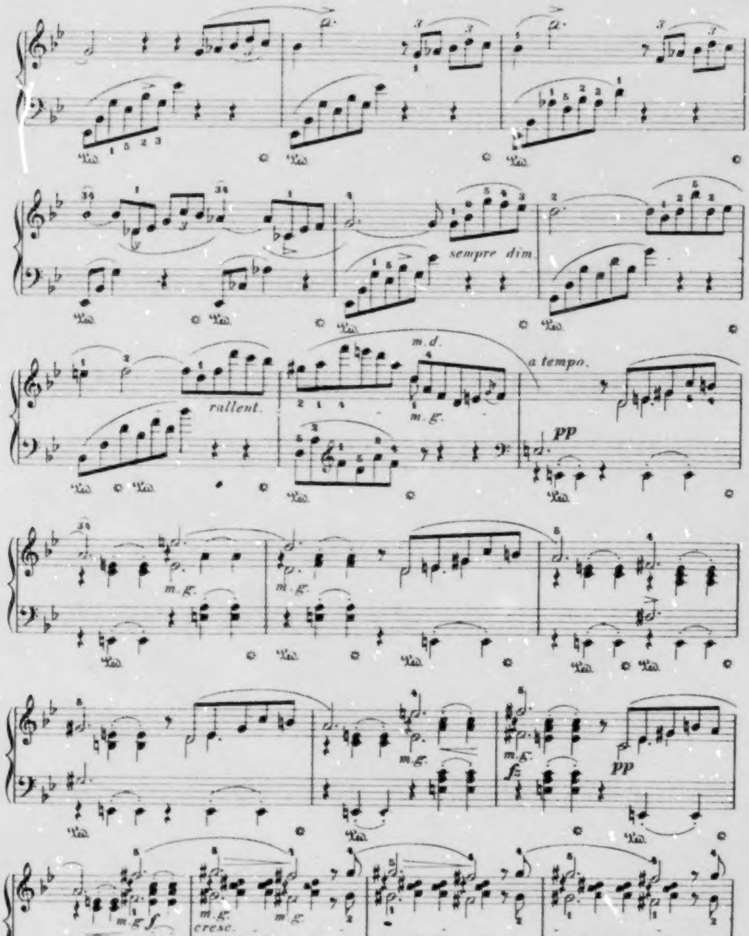
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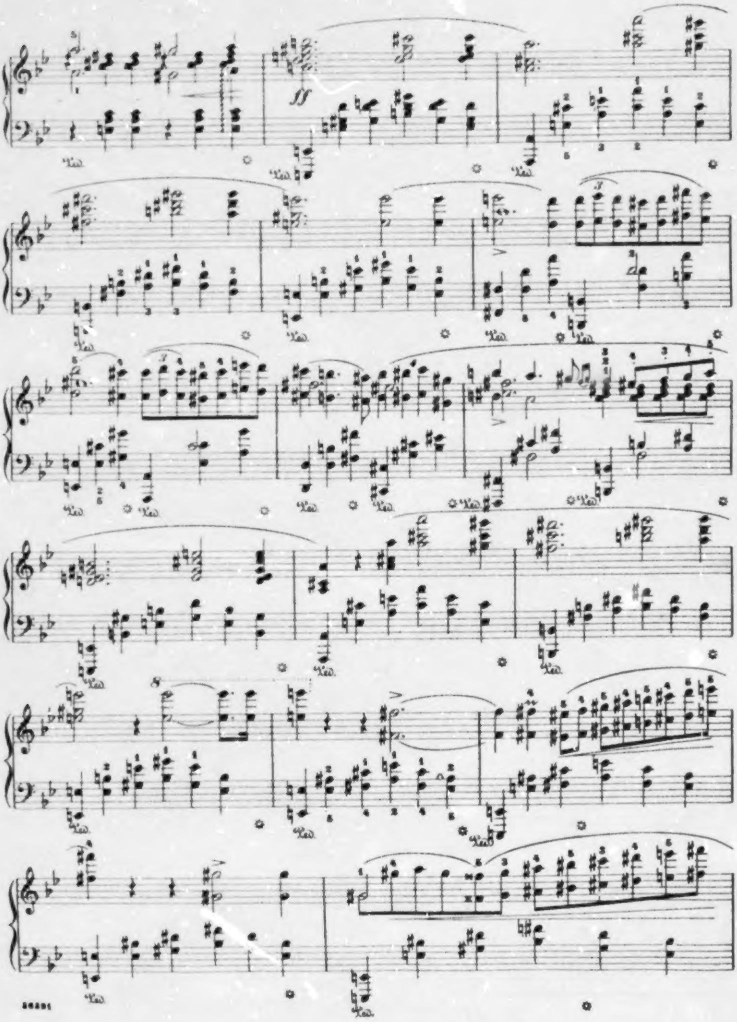
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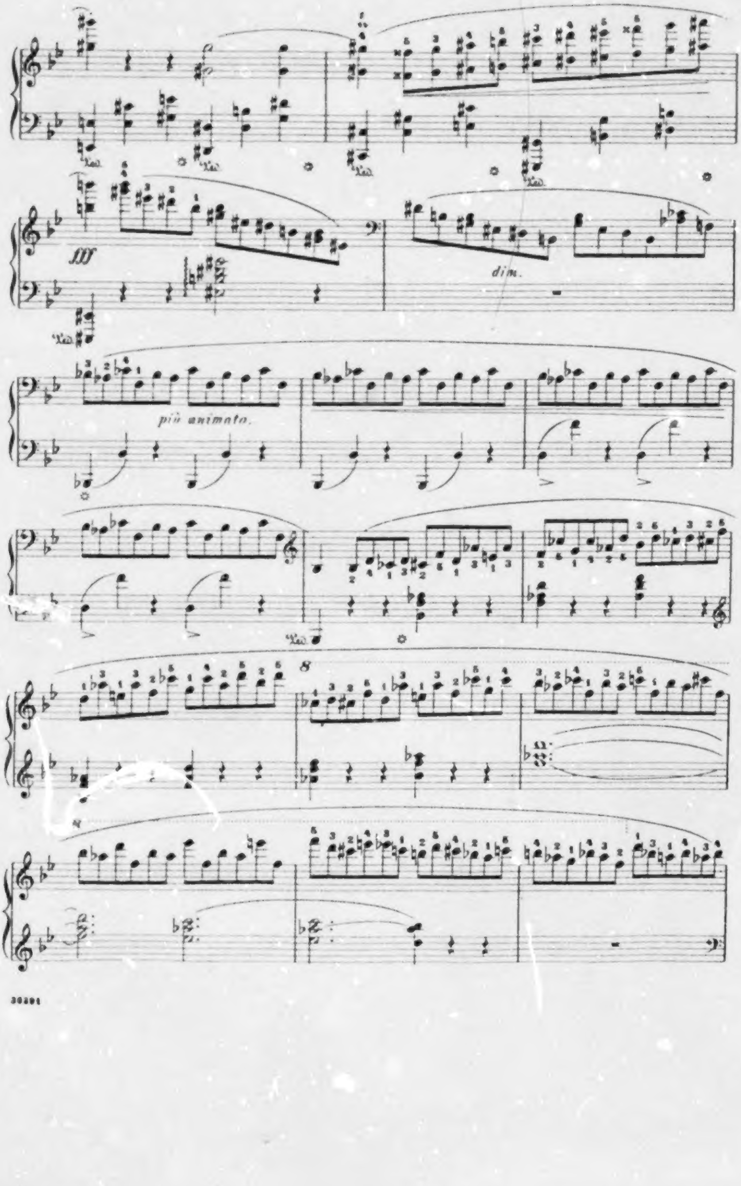
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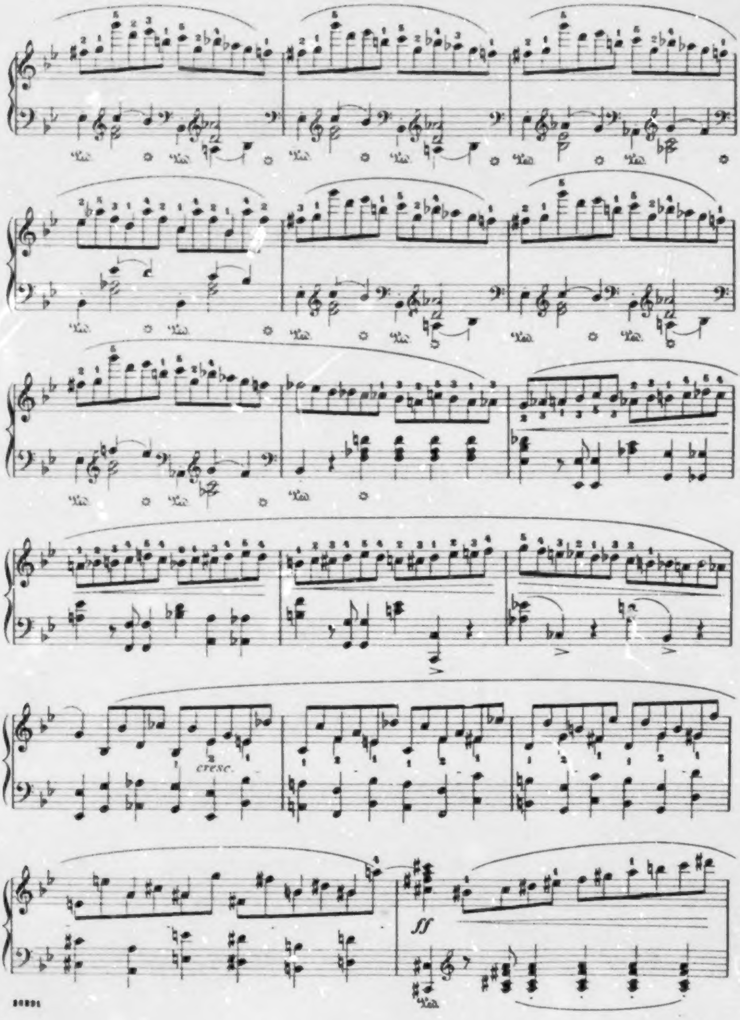
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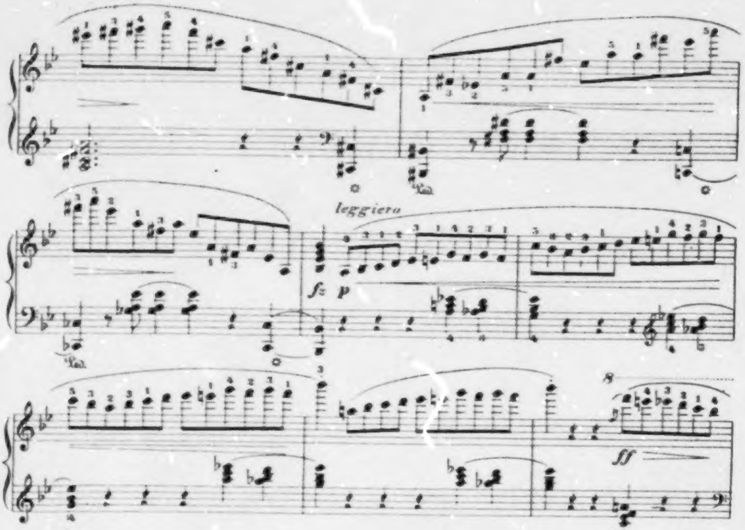
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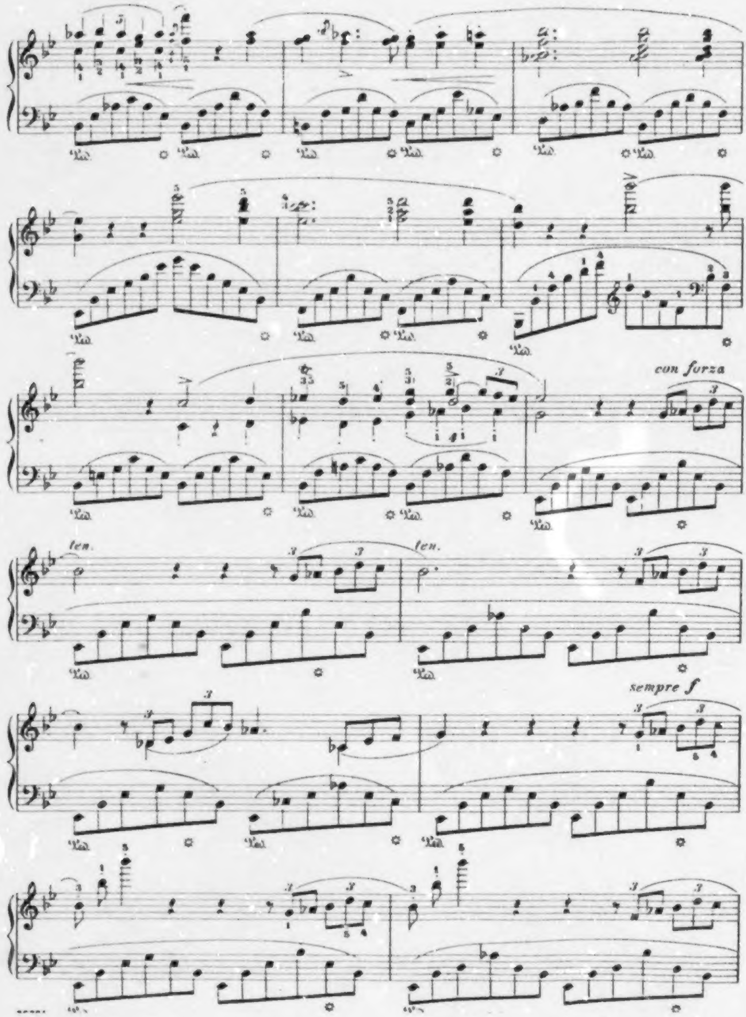
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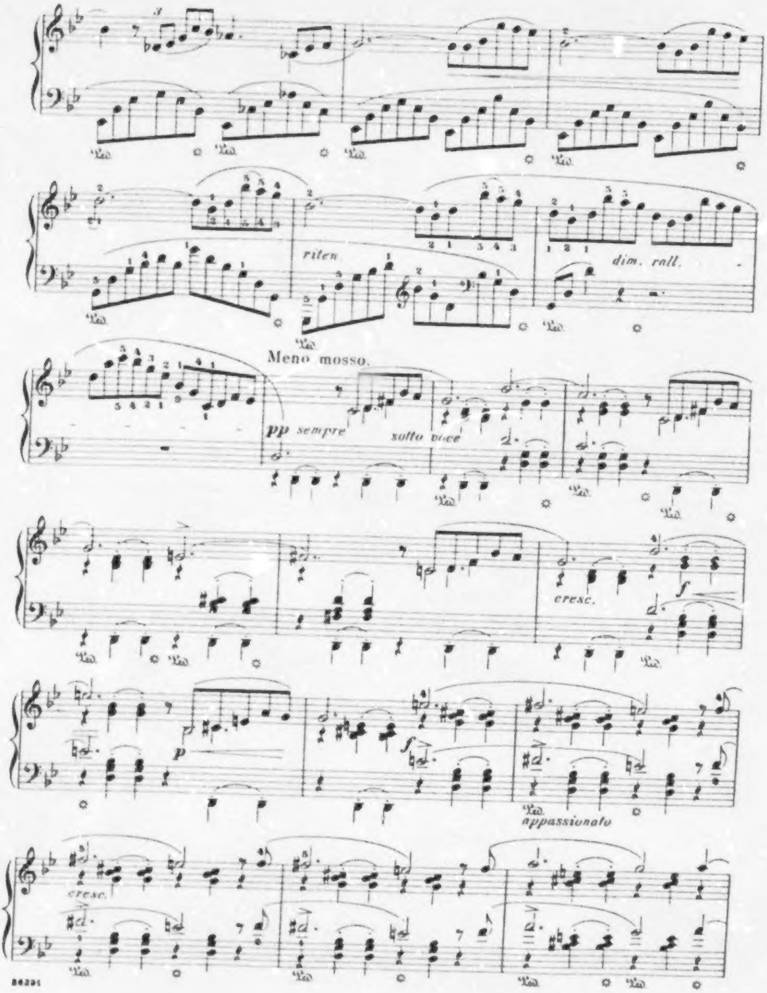
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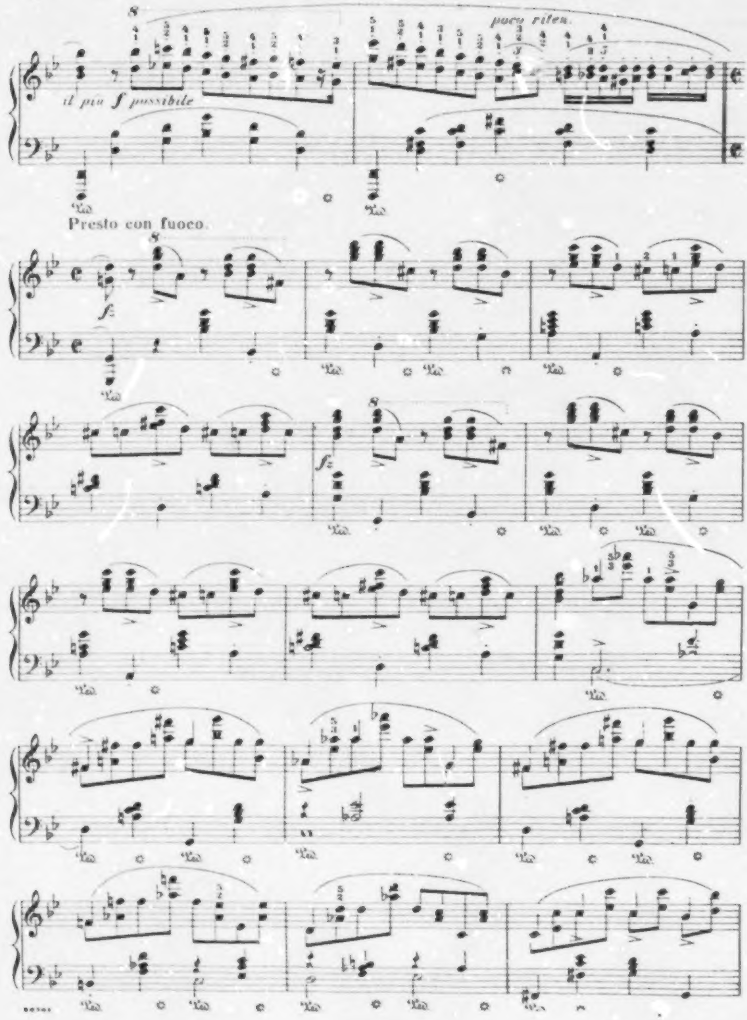
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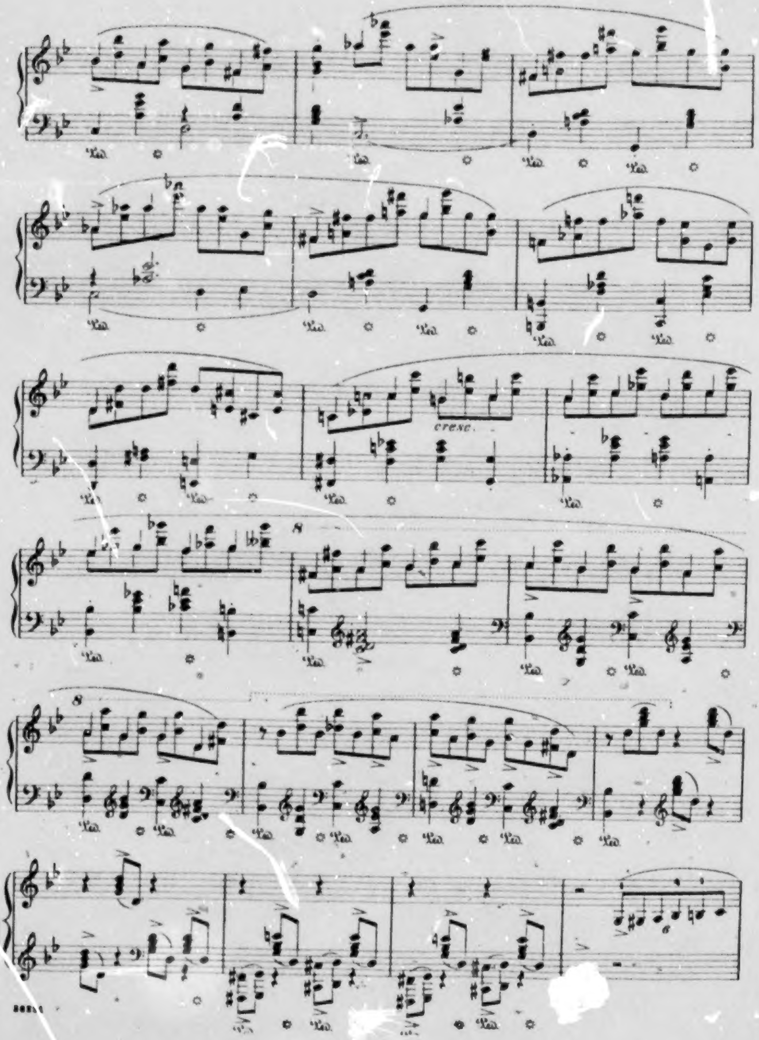
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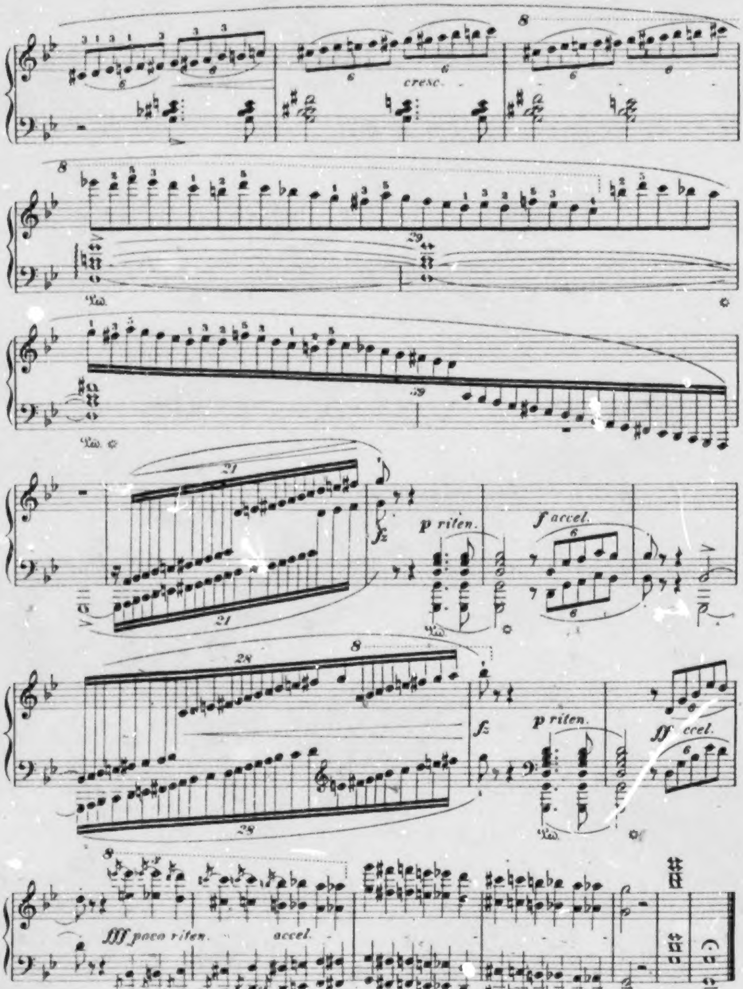
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[At this point Mr. Hogan played a composition by Chopin followed by applause.]

Mr. **Ford**. Thank you, Mr. Hogan. That is a first for me, I don't know about John, at a congressional hearing. But I think it is an illustration of why the education committee is the most satisfying committee to serve on with the U.S. Congress. We appreciate very much not only the demonstration of great talent, but the contribution you make to your institution by this demonstration.

It reminds me that when we finish with the hearing on reauthorization of the Higher Education Act, our next job in this Congress is reauthorization of the arts and humanities with respect to endowment legislation.

One of the groups we will have testifying will be the Council for the Arts. We now know what kind of testimony we will take from Van Cliburn on that council.

If we could go back, starting here with Mr. Fuhrmann's statement, I know that John was impressed with your statement where you talk about the problem that your particular return to college cycle illustrated.

This is something that has been brought to our attention, but we are intrigued by a very practical kind of solution you suggested, and I think the staff was, as you may have noticed, busy writing notes.

We are always pleased when someone makes a suggestion that is so clear and understandable that it seems like something we might be able to do. It seems so logical, as you explained it, and rather easy, that we probably can respond to it.

Having done that, however, with the legislation, I am sure that some bureaucrat over there will find some way to complicate it so it won't work. But we will take seriously your suggestion.

There is precedent for what you are suggesting, in the way in which discretion is left to the local institution in awarding SEOG grants.

I think that we are ready to trust the institutions to be able to administer an exception that would take care of cases such as yours.

I have a special interest in it, because I had two children by the time I finished law school. I have some idea of the special benefits and problems of being a married student and an independent student.

Mr. Achiele has put his finger on something, too, in mentioning the problem of the present payback system. I don't know where you got your information. but part of your testimony sounds like Mr. Kornfeld at the U.S. Office of Education. The one major initiative that we are anticipating from the administration with respect to reauthorization is a consolidation of the loan programs into a single program with the loans being made at the institution and with the service and collection of loans being done by a Government agency. And they will all be made by the institution that you are attending.

They so far have told us about this grand idea, but we do not know the details of it.

The second thing that you mention is the problem of the earlier repayment. As that problem has become apparent to us, we have responded in a piecemeal way. Last year, Mr. Quie, who preceded Mr. Ashbrook as ranking minority member, added an amendment to the Middle Income Student Assistance Act, in the recognition of the fact that we had people leaving school with substantial indebtedness and then, as a matter of fact, going into vocational rehabilitation.

Until that was called to Mr. Quie's attention and he, in turn, called it to our attention, we had been initiating the loan-collecting process at that point.

There are a number of proposals or ways to accommodate the problem of the startup years after concluding one's education that are before the committee. I think I can assure you that we were going to take your suggestions into account.

I must say to the student panelists who are here that the student groups have been extremely helpful to this committee ever since I have been on it. You students might be interested in knowing that there is a pro out here in the audience. I noticed as he just came in, Larry Zaglaniczny is now, if you can use the term, a lobbyist for the American Council on Education, which represents some 1,500 schools in Washington. He is a full-time pro, and he was, until very recently, associated with the Coalition of Independent College and University Students.

They did a vote count for us in the House of Representatives in the last hours before we moved to the floor with the legislation. That came about as a result of students contacting individually all but approximately 20 of the 435 Members of the House and securing from them a definite commitment of position, either in support of the bill, or, in the cases where that wasn't the case, their opposition to the committee legislation.

We had only one test vote on the floor, and the student count, which tells you something contrary to what you hear about politicians listening to students, the student count didn't vary but by three or four. They accurately predicted the number of votes we would have after talking to the individual Members of Congress face to face and getting commitments from them.

They not only increased the support for the legislation, but they gave us a better count than we normally would have gotten.

Finally, I would like to mention to Mr. Barclay that we heard from your predecessor. You said in your statement that you are going to Washington as a representative of the United States Student Association working particularly on programs for minority education.

Danny Ealum, who is a college freshman, is doing that work now, and testified on the TRIO programs before the committee just a week ago in Washington.

We will look forward to hearing from you when you become a Washington pro this fall. On behalf of the committee, I don't have questions for this panel, but I do, once again, want to thank you as a representative group of students for what you individually have done to assist this record.

John observed to me, as the testimony was going on, that this is the kind of testimony that one can identify with. It is very important. And we would like to extend, on behalf of the committee members who are not here, the gratitude for the very strong support that we have had at every step of the way in dealing with this legislation in recent years from students.

I think it has been demonstrated to us over and over again that we do have an awful lot of committed young people in this country if you just give them a few minutes to say it and record it.

Your testimony is very valuable, and if you have members of your peer group that have something to say, have them submit their responses to us, and it will become part of the record. These people sitting in front of us are living proof of the fact that some of what is being done in these programs not only works but works very well indeed. I yield to Mr. Ashbrook.

Mr. ASHBROOK. One quick question, Bill. I am sure, as you were listening to the testimony of the college presidents, it came through sometimes straight and sometimes not straight that certain things we do in Washington impact on decisions they have to make, of course, as they have to chart.

Quite often there are directions they have to take that they may or may not want to take. I can't help but think as I listen to you, it would be worthwhile to get your observations on one point that often evades our thinking.

One of the decisions we have ahead is what the maximum loan limits ought to be, and everybody immediately says, "Loan more money."

Let me ask you a question, either through your own experience or people you associate with in college. To what extent does the burden of the high loan impact on your decisions that you want to make in your career? For example, you are going to Battelle. We know what Battelle is. I don't imagine you are going there because of a high debt you have.

You have to earn money, but to what extent do you feel inhibited in taking a career, maybe something socially productive but not financially productive, because you start out with a high burden, and to what degree do you believe your choices would be limited if we increased the maximum loans, and therefore you would go out of college more indebted?

Just thinking of six students, I guess my question is to what degree is the anticipated high burden of a debt limit the choice you might like to make as far as your profession or career or what you do when you leave college? Any of you?

Mr. AICHELE. One of the problems, as far as myself, is I wanted to go to graduate school, and because I have almost $7,000 in loans that I have taken out over 4 years at Denison, I don't think that at this time graduate school is the proper thing to do.

I feel that with these loans over my head they should be paid off before I start making more loans as far as financing graduate school.

I don't feel that the loans should be raised as far as how much you can take out per year. One thing, as a student, you don't realize how much in loans are actually taken out, at least until the end of the 4 years. At the end of the 4 years, when you go up to the financial aid office, they hand you this nice little package.

All right. Under the loans you have taken out, you will be paying back so much under this program and so much under that program for a total of this per year.

You really don't think about it when you are financing your loan education until after these 4 years are over. I don't think I would like to see that ceiling raised, but I think there should be more ways, other than loans possible, or acquiring some sort of moneys as far as education.

Mr. **Ashbrook**. Thank you. I noted in your testimony it more or less limited your opportunity to go to graduate school. To that degree, a loan did limit you. I was just wondering if any of you made career choices, for example, not going back to West Virginia and doing this social work you would like to do.

You said one of your parents had church-related work, and you started out owing a lot of money. Does that in any way inhibit what you would like to do in your life's work?

Ms. **Janzen**. To me, it has a little bit. My loans are not as great as Mr. Aichele. They are not nearly as great as his, but still I am in debt over $2,000 over the last 4 years.

One of the good things about the NDSL is the deferment if you go on further in your educational career. One of the reasons I am going to be going to Baylor University is so I will be able to get out earning more money and be able to defer them for a year and then pay them back rather than go into something and work at a lower salary and pay the loan back at a slower rate. This way I know I will be able to pay them back at a higher starting salary.

Mr. **Ashbrook**. Quite often we are sitting here and saying, "Let's in our reauthorization raise the limits." Sometimes it sounds good, but it might create problems in the long run. Bill, that was the only question I had.

Mr. **Ford**. Thank you very much, John. We are going to have to move on. I thank the panel.

I now call on Hal D. Payne, dean of developmental services and associate dean of students, Oberlin College; Mr. Ralph Tomassi, assistant director of admissions, Ashland College; Mr. Edwin G. Below, director of student aid, Baldwin-Wallace College; Ms. Mariellen Howell, director of financial aid, Denison University; Mr. P. Wesley Tutchings, director of scholarships and student aid, Kenyon College; Mr. Gary Rohmann, director of financial aid, Mt. Vernon Nazarene College; Mr. Paul M. Orehovec, director of financial aid, College of Wooster; and Mr. James W. White, director of financial aid, Oberlin College.

Without objection, the prepared testimony presented to the committee will be incorporated in full at the proper point in the record, and, gentlemen and Ms. Howell, I am forced by time again. We can only delay that plane very slightly out there, so that I must ask you if we can conclude in the next 20 or 25 minutes.

I'd appreciate it very much if you would simply summarize your statements and make what you believe to be the most important points, recognizing that the full testimony will be carried in the record.

Who would like to proceed first? Mr. Payne?

STATEMENT OF HAL D. PAYNE, DEAN, DEVELOPMENTAL SERVICES AND ASSOCIATE DEAN OF STUDENTS, OBERLIN COLLEGE

Mr. PAYNE. Mr. Chairman and Mr. Ashbrook, I am Hal Payne, dean of developmental services and associate dean of students at Oberlin College. I am responsible for an Upward Bound and special services program.

It is an honor to be invited to testify before you this morning as you engage the process of reauthorizing the Higher Education Act of 1965 and related measures.

I speak to you today from the perspective of having been involved for over 12 years in the development and implementation of educational programs designed to open up opportunity for the disadvantaged, from the perspective of my own involvement with the Mid-America Association of Educational Opportunity Personnel, with whom I worked in helping to draft the recommendations on the TRIO authorization presented by the National Coordinating Council of Educational Opportunity Associations to this subcommittee last month, from the perspective of my own research and as associate dean of students and dean of developmental services here at Oberlin College. My comments, however, are my own.

Historically, the six programs commonly referred to as the TRIO programs came into being because of the Federal Government's recognition of its responsibility to promote equal access and expand the options available to disadvantaged individuals in pursuing a postsecondary education.

It was clearly the intent of the authorizing legislation under subpart 4 of title IV of the Higher Education Act of 1965 as amended that the postsecondary education options made available to disadvantaged individuals include those opportunities provided at independent liberal arts colleges. My remarks will focus mainly on two of these TRIO programs, Upward Bound and special services, as they currently operate here at Oberlin College.

Upward Bound is a precollege preparatory program designed to enhance the skills and motivation necessary for success in education beyond high school among young people from low-income backgrounds with inadequate secondary school preparation.

The hallmark of a successful Upward Bound program is its ability to effectively organize a variety of resources which emphasize the total student's needs, strengths, and weaknesses.

The program utilizes an array of resources, including the college community, the local community, and parental groups to help these students. During the summer component, most Upward Bound students are housed and boarded at the host institutions where they experience living away from home and have the opportunity to acquire independence. They also receive comprehensive instruction in the basic skills of reading, writing, and mathematics and take part in cultural, career, motivational, and counseling activities. As currently authorized under the present legislation, all Upward Bound students must meet the Bureau of Census poverty criteria.

The special services program is designed to help disadvantaged and physically handicapped students remain in and complete college. These programs usually include counseling, tutoring, special course work, and other services intended to increase the retention of low-income and minority students in college.

Under the present legislation, eligibility criteria for special services programs include students with academic potential who are enrolled or accepted for enrollment at the host institution who, No. 1, by reason of deprived educational, cultural, or economic background or physical handicap are in need of such services to assist them to initiate, continue, or resume their postsecondary education or, No. 2, by reason of limited English-speaking ability, are in need of bilingual educational teaching, guidance, and counseling in order to enable them to pursue their postsecondary education.

Thus, Upward Bound and special services may be viewed as campus-based programs in that most program activities occur on a college campus, and the effectiveness of those activities is often related to the extent to which the programs are "institutionalized" within the college environment.

A major characteristic which distinguishes these campus-based programs is that in Upward Bound compensatory services are targeted upon students who have not yet reached college, usually 10th or 11th graders, whereas compensatory services in special services are targeted upon students already enrolled in college.

The current legislation since 1976 authorizes service learning centers, even though no funds have been appropriated for these projects.

Service learning centers would also provide campus-based compensatory services to students enrolled in college. It is my view that such centers, if funded, would duplicate services already provided by special service programs, and I recommend the elimination of this authority.

The various TRIO programs were instituted at different times over the last 14 years in response to different perceived needs, and each of the programs has a different definition of eligibility for services, and in some instances, modified definitions of eligibility which apply to only one program.

The resulting lack of clarity causes problems at many levels. Not only does it increase the difficulty which the Office of Education experiences in simply counting the eligible populations in various areas, it also makes it more difficult to issue clear and simple regulations. This compounds the problems at the institutional level where, for example, a project director may never be completely certain whether or not he is correctly applying criteria such as cultural or educational disadvantage.

The National Coordinating Council of Educational Opportunity Associations is recommending two more simple and more exact criteria which would substitute for the current language and which would serve as the basis for eligibility in any of the TRIO programs.

These criteria are, one, status as a first-generation college student, and, two, compliance with a revised low-income standard (150 percent of the Bureau of the Census' poverty criteria).

For Upward Bound, two-thirds of the students in each project would be required to meet both the first-generation criterion and the economic criterion; up to one-third of the students in each project would be required to meet only one of these criterion.

In special services projects, two-thirds of the students will be required to meet both criteria or be physical handicapped; one-third of the students could either be first-generation college students, students from low-income backgrounds, or be physically handicapped.

Another Council recommendation addresses the issue of the interrelationship between the student aid programs and TRIO when it suggests that the legislation be amended to require that in approving special services grants, the Commissioner shall require that each individual enrolled will receive sufficient financial assistance to meet their determined need.

It is the experience of almost every special services director and counselor that it is often futile to attempt to address a student's academic problems, unless the student is first provided a basic level of personal security.

Very simply, it is much harder to learn calculus when you are worried about being forced to withdraw from school because of financial problems. It would seem appropriate that an institution target its available resources to assure that students are indeed given a reasonable chance to graduate from college. Indeed, this is particularly true, since the Federal Government has put such an approach within the financial capability of most institutions.

The NCCEOA is also recommending an increase in the TRIO authorization level from $200 million to $400 million. Currently, while appropriations stand at 70 percent of the authorization level, less than 6 percent of the target population is served. Even with full funding, less than 9 percent of the currently eligible population would receive services.

It can be truly said that higher education today has reached a critical point in its attempt to offer educational opportunities to minority and low-income students.

The Oberlin experience, regarding the relationship between disadvantaged students and academic achievement, is based on almost 15 years of cumulative research.

During this period, the college has faced the challenge of rethinking its educational methods and practices to include the needs generated by a more diversified student population.

In the fall of 1971, the faculty of the college voted to reaffirm Oberlin's historic "institutional commitment to expand the educational opportunities of black and other students from minority backgrounds . . . and to provide educational and student services whenever necessary to improve the academic competence of . . . disadvantaged students."

This faculty legislation was most recently reaffirmed in May of 1976.

At its most recent staff retreat held on October 19, 1978, the professional and administrative staff of Oberlin's developmental services department agreed to maintain its overall mission as follows:

Given its historical commitment to equal educational opportunity, Oberlin has attracted a highly talented group of low-income and minority students. Developmental services, therefore, has a unique opportunity to facilitate the development of a leadership group among minority/poverty communities, by providing educational, counseling, and other services to high potential students from minority and low-income populations. In this way, we hope to continue the best traditions of the college while addressing an important national need.

We believe that little improvement will occur in the general quality of life in America without improvement in the lives of minority and low-income populations.

Given its function as an educational institution, Oberlin College believes that it can make a profound impact on this national crisis by creating a base for the production of educated leadership for minority and impoverished communities.

The office of developmental services at Oberlin was created in 1973-74, when the college received its first TRIO grant for special services. In addition to responsibility for special services, the office was responsible for all academic advising on campus, the developmental learning center, and a summer precollege program.

Since that time, we have developed a comprehensive developmental program which, through an increased commitment of time, money, and resources, has continued to expand special educational opportunities to an ever-increasing number of minority and low-income students.

Oberlin's Upward Bound program does not seek merely to enhance the possibility that we will attain our mission within developmental services. Rather, it is designed to improve the general quality of precollege preparation for high school students in the Lorain County area. Prior to the funding of this TRIO program at Oberlin, no major effort to improve precollege instruction in the State of Ohio had focused on Spanish American populations.

Yet, a significant percentage of school-age population in this county area are either mainland Puerto Ricans or Chicano-American citizens.

Additionally, a large proportion of the students enrolled in public high schools in Oberlin, Elyria, and Lorain come from low-income and black populations. We have estimated that the number of project-eligible low-income students in the upper secondary schools of the three target communities served by our Upward Bound program is upward of 750.

Our program, now entering its third year, currently enrolls 60 of these students and is federally funded at the level of $114,000. The project provides students rigorous academic training, marketable work experiences in community-based organizations, comprehensive personal counseling services, and culturally enrichening educational activities.

Oberlin's special services program provides low-income and disadvantaged students with supportive services necessary to better enable them to attain academic excellence through improvement of basic skills in the areas of reading, writing, study skills, and computation, through tutoring and individualized instruction and through advising and special counseling.

During 1977-78, we enrolled 171 special service students. We are currently serving 218 special service students under a TRIO grant for $145,000.

If these students are to take full advantage of their opportunity, it is essential that these supportive services continue to be available to them.

At Oberlin, special services has embraced a unique challenge to facilitate the development of a highly talented leadership group from the ranks of the economically and educationally disadvantaged. Without special services programs at highly selective, highly competitive private liberal arts institutions like Oberlin College, the economically disenfranchised would be effectively isolated from an important category of institutions of higher education, even when initial access to such institutions may not be denied.

In a comprehensive review of the success of our efforts we have found:

1. That low-income students of both races have a higher retention rate (greater probability of graduating), a lower academic failure rate, and attempt a greater number of intermediate and advanced courses than white and black students whose families have incomes of over $9,000;

2. That low-income students initially have lower grade point averages than middle and upper income students; however, their grade point averages improve during the period in which they are enrolled at Oberlin College.

Furthermore, the rate of improvement for low-income students is about the same as that of middle and upper income students.

3. That traditional pre-admissions indexes of student "quality" (SAT scores) are not strong predictors of minority and low-income student success at Oberlin College. Of the traditional indicators, high school rank plays a more significant role as a predictor of minority academic success.

4. That economically disadvantaged minority students have lower SAT scores than middle and upper income minority students but all minority students do equally well in their class work as measured by cumulative grade point average.

In short, our experience with minority and low-income students is that despite relatively lower test scores, they are as highly motivated as majority and middle and upper income students, have equally high academic aspirations, are capable with supportive services of performing satisfactorily at the college, and have a higher retention rate.

As a TRIO project director for the past 6 years, one of the most perplexing problems I have grappled with has been that of applying the eligibility criteria.

Each of the various TRIO programs has a different definition of eligibility. In some instances, modified definitions of eligibility appear which apply to only one component of a comprehensive program of services.

Furthermore, we are finding an increasing number of students who fall short of the present low-income standard by relatively few absolute dollars.

The result is an alarming decrease in the numbers of eligible students by reason of low income, and a correspondingly alarming increase in the numbers of potentially eligible students by reason of more judgmental criteria such as cultural or educational disadvantage.

Rather than not be completely certain that we have correctly applied many of these less adequate program eligibility criteria, we have simply refused to use them at all. For example, we have no measure of "cultural disadvantage." Nor is there greater comfort in the more "objective" standards provided by standardized tests to measure educational disadvantage because the selection of a "cutoff" score to determine project eligibility remains arbitrary at the judgmental level.

For these reasons, I am endorsing the recommendations made to this subcommittee by the NCCEOA, namely that the basis for eligibility in any of the TRIO programs be determined as follows: One, status as a first-generation college student, and, two, compliance with a revised low-income standard—150 percent of the Bureau of the Census poverty criteria.

I have previously alluded to the inadequacy of the present eligibility low-income standard as it relates to special services at Oberlin College. We are currently experiencing a reduction of as much as 80 percent in the percentages of students eligible by reason of low income, even though a large proportion of these students miss income eligibility for program services by less than 150 percent of the Bureau of the Census poverty criteria.

I have provided a table which clearly shows the first-generation criteria suggested would find applicability at an independent private liberal arts college like Oberlin.

As it was pointed out in the tesimony presented by the NCCEOA, if one walk onto a college campus today, there is only about an 8-percent chance that the first person met will be the child of a person with 5 to 8 years of schooling—a first-generation college student. It is of interest to note that the figures shown above under the column labeled "enrolled" represent roughly 8 percent of the total freshman class for each year shown.

This committee has long recognized that a student aid strategy which does not at the same time provide supportive services is doomed to failure.

At Oberlin, the same faculty legislation I referred to earlier also mandates that 38 percent of the finanical aid budget of the college be set aside for minority students.

Financial need remains a major impediment to minority and low-income populations' participation in higher education. No amount of program supportive services can achieve the goal of student retention if the students are indeed not given a reasonable chance to graduate because of financial burdens.

Our experience at Oberlin clearly supports the thesis that adequate financial assistance and retention to graduation go hand in hand. No special services student has withdrawn from Oberlin because of inadequate financial assistance. For these reasons, I recommend that the legislation be amended to require that each special services student enrolled receive sufficient finanical assitance to meet their determined need.

Finally, I would be remiss indeed if I did not take this opportunity to endorse the NCCEOA recommendation increasing the authorization level. I recommend an increase in the TRIO authorization level from $200 million to $400 million.

In closing, I should like to commend the members of this committee for their diligence in working toward providing both young people and adults in this society an opportunity to achieve upward mobility with dignity.

The TRIO programs enhance the other student assistance programs authorized under title IV, because they focus on student retention and help to assure that the student assistance programs are utilized to achieve the goal of greater equality of opportunity in postsecondary education. Your hard work and effort in this area is both noted and appreciated by TRIO practitioners.

I greatly appreciate the consideration this subcommittee has already given to the NCCEOA recommendations. Thank you for allowing me to testify. Thank you very much.

[Prepared testimony of Mr. Payne follows:]

PREPARED STATEMENT OF HAL D. PAYNE, DEAN OF DEVELOPMENTAL SERVICES AND ASSOCIATE DEAN OF STUDENTS, OBERLIN COLLEGE

Mr. Chairman, Members of the Subcommittee--

It is an honor to be invited to testify before you this morning as you engage the process of reauthorizing the Higher Education Act of 1965 and related measures. I speak to you today from the perspective of having been involved for over 12 years in the development and implementation of educational programs designed to open up opportunity for the disadvantaged, from the perspective of my own involvement with The Mid-America Association of Educational Opportunity Personnel, with whom I worked in helping to draft the recommendations on the TRIO authorization presented by The National Coordinating Council of Educational Opportunity Associations (NCCEOA) to this Sub Committee last month, from the perspective of my own research and as Associate Dean of Students and Dean of Developmental Services here at Oberlin College. My comments, however, are my own.

Historically the six programs commonly referred to as the TRIO programs came into being because of the federal government's recognition of its responsibility to promote equal access and expand the options available to disadvantaged individuals in pursuing a postsecondary education. It was clearly the intent of the authorizing legislation under Subpart 4 of Title IV of the Higher Education Act of 1965 as amended that the postsecondary education options made available to disadvantaged individuals include those opportunities provided at independent liberal arts colleges. My remarks will focus mainly on two of these TRIO programs, Upward Bound and Special Services, as they currently operate here at Oberlin College.

Upward Bound is a precollege preparatory program designed to enhance the skills and motivation necessary for success in education beyond high school among young people from low-income backgrounds with inadequate secondary school preparation. The hall mark of a successful Upward Bound program is its ability to effectively organize a variety of resources which emphasize the total student's needs, strengths, and weaknesses. The program utilizes an array of resources, including the college community, the local community and parental groups to help these students. During the summer component, most Upward Bound students are housed and boarded at the host institutions where they experience living away from home and have the opportunity to acquire independence. They also receive comprehensive instruction in the basic skills of reading, writing, and mathematics and take part in cultural, career, motivational, and counseling activities. As currently authorized under the present legislation, all Upward Bound students must meet the Bureau of the Census' poverty criteria.

The Special Services Program is designed to help disadvantaged and physically handicapped students remain in and complete college. These programs usually include counseling, tutoring, special course work, and other services intended to increase the retention of low-income and minority students in college. Under the present legislation, eligibility criteria for special services programs include "students with academic potential who are enrolled or accepted for enrollment at the (host) institution ...who, (1) by reason of deprived educational, cultural, or economic background, or physical handicap, are in need of such services to assist them to initiate, continue or resume their postsecondary education or (2) by reason of limited English-speaking ability, are in need of bilingual educational teaching, guidance, and counseling in order to enable them to pursue a postsecondary education."

Thus, Upward Bound and Special Services may be viewed as campus-based programs in that most program activities occur on a college campus, and the effectiveness of those activities is often related to the extent to which the programs are "institutionalized" within the college environment. A major characteristic which distinguishes these campus-based programs is that in Upward Bound, compensatory services are targeted upon students who have not yet reached college--usually 10th or 11th graders--whereas compensatory services in Special Services are targeted upon students already enrolled in college.

The current legislation since 1976, authorizes Service Learning Centers even though no funds have been appropriated for these projects. Service learning centers would also provide campus-based compensatory services to students enrolled in college. It is my view that such centers, if funded, would duplicate services already provided by special service programs, and I recommend the elimination of this authority.

The various TRIO programs were instituted at different times over the last fourteen years in response to different perceived needs, and each of the programs has a different definition of eligibility for services, and, in some instances, modified definitions of eligibility which apply to only one program. The resulting lack of clarity causes problems at many levels. Not only does it increase the difficulty which the Office of Education experiences in simply counting the eligible populations in various areas, it also makes it more difficult to issue clear and simple regulations. This compounds the problems at the institutional level where, for example, a project director may never be completely certain whether or not he is correctly applying criteria such as cultural or educational disadvantage.

The National Coordinating Council of Educational Opportunity Associations is recommending two simpler and more exact criteria which would substitute for the current language and which would serve as the basis for eligibility in any of the TRIO programs. These criteria are (1) status as a first generation college student, and (2) compliance with a revised low-income standard (150% of the Bureau of the Census' poverty criteria). For Upward Bound, two-thirds of the students in each project would be required to meet both the first generation criterion and the economic criterion; up to one-third of the students in each project would be required to meet only one of these criteria. In Special Services projects; two-thirds of the students would be required to meet both criteria or be physically handicapped; one-third of the students could be either first generation college students, students from low-income backgrounds, or be physically handicapped.

Another Council recommendation addresses the issue of the inter-relationship between the Student Aid programs and TRIO when it suggests that the legislation be amended to require that in approving Special Services grants, the Commissioner shall require that each individual enrolled will receive sufficient financial assistance to meet their determined need. It is the experience of almost every Special Services director and counselor that it is often futile to attempt to address a student's academic problems unless the student is first provided a basic level of personal security. Very simply, it is much harder to learn calculus when you are worried about being forced to withdraw from school because of financial problems. It would seem appropriate that an institution target its available resources to assure that students are indeed given a reasonable chance to graduate from college. Indeed this is particularly true since the federal government has put such an approach within the financial capability of most institutions.

The NCEOA is also recommending an increase in the TRIO authorization level from $200 million to $400 million. Currently, while appropriations stand at 70% of the authorization level, less than 6% of the target population is served. Even with full funding, less than 9% of the currently eligible population would receive services.

It can be truly said that higher education today has reached a critical point in its attempt to offer educational opportunities to minority and low-income students. The Oberlin experience regarding the relationship between disadvantaged students and academic achievement is based on almost fifteen years of cumulative research. During this period, the college has faced the challenge of rethinking its educational methods and practices to include the needs generated by a more diversified student population. In the fall of 1971, the faculty of the college voted to reaffirm Oberlin's historic "institutional commitment to expand the educational opportunities of Black and other students from minority backgrounds....and to provide educational and student services whenever necessary to improve the academic competence of...disadvantaged students." This faculty legislation was most recently reaffirmed in May of 1976.

At its most recent staff retreat held on October 19, 1978, the professional and administrative staff of Oberlin's Developmental Services department agreed to maintain its overall mission as follows:

> Given its historical commitment to equal educational opportunity, Oberlin has attracted a highly talented group of low-income and minority students. Developmental Services, therefore, has a unique opportunity to facilitate the development of a leadership group among minority/poverty communities, by providing educational, counseling, and other services to high potential students from minority and low-income populations. In this way we hope to continue the best traditions of the College while addressing an important national need.

We believe that little improvement will occur in the general quality of life in America without improvement in the lives of minority and low-income populations. Given its function as an educational institution, Oberlin College believes that it can make a profound impact on this national crisis by creating a base for the production of educated leadership for minority and impoverished communities.

The office of Developmental Services at Oberlin was created in 1973-74, when the college received its first Trio grant for Special Services. In addition to responsibility for Special Services, the office was responsible for all academic advising on campus, the Developmental Learning Center, and a summer pre-college program. Since that time we have developed a comprehensive developmental program which, through an increased commitment of time, money, and resources, has continued to expand special educational opportunities to an ever increasing number of minority and low-income students.

Oberlin's Upward Bound program does not seek merely to enhance the possibility that we will attain our mission within Developmental Services. Rather it is designed to improve the general quality of pre-college preparation for high school students in the Lorain County area. Prior to the funding of this TRIO program at Oberlin, no major effort to improve pre-college instruction in the state of Ohio had focused on Spanish American populations. Yet, a significant percentage of school age population in this county area are either mainland Puerto Ricans or Chicano American citizens. Additionally, a large proportion of the students enrolled in public high schools in Oberlin, Elyria, and Lorain come from low-income and Black populations. We have estimated that the number of project eligible low-income students in the secondary schools of the three target communities served by our Upward Bound program is upwards of 750. Our program, now entering its third year, currently enrolls 60 of these students, and is federally funded at the level of $114,000.00 The project provides students rigorous academic training, marketable work experiences in community based organizations, comprehensive personal counseling services, and culturally enrichening educational activities.

Oberlin's Special Services program provides low-income and disadvantaged students with supportive services necessary to better enable them to attain academic excellence through improvement of basic skills in the areas of reading, writing, study skills, and computation; through tutoring and individualized instruction; and, through advising and special counseling. During 1977-78, we enrolled 171 Special Service students. We are currently serving 218 Special Service students under a TRIO grant for $145,000.00. If these students are to take full advantage of their opportunity, it is essential that these supportive services continue to be available to them. At Oberlin, Special Services has embraced a unique challenge to facilitate the development of a highly talented leadership group from the ranks of the economically and educationally disadvantaged. Without Special Services programs at highly selective, highly competitive private liberal arts institutions like Oberlin College, the economically disenfranchised would be effectively isolated from an important category of institutions of higher education even when initial access to such institutions may not be denied.

In a comprehensive review of the success of our efforts we have found:

1. that low-income students of both races have a higher retention rate (greater probability of graduating), a lower academic failure rate, and attempt a greater number of intermediate and advanced courses than white and black students whose families have incomes of over $9,000.00;

2. that low-income students initially have lower grade point averages than middle and upper income students; however, their grade point averages improve during the period in which they are enrolled at Oberlin College. Furthermore, the rate of improvement for low-income students is about the same as that of middle and upper income students;

3. that traditional pre-admissions indices of student "quality" (SAT scores) are not strong predictors of minority and low-income student success at Oberlin College. Of the traditional indicators, high school rank plays a more significant role as a predictor of minority academic success.

4. that economically disadvantaged minority students have lower SAT scores than middle and upper income minority students but all minority students do equally well in their classwork as measured by cumulative grade point average.

In short, our experience with minority and low-income students is that despite relatively lower test scores, they are as highly motivated as majority and middle and upper income students, have equally high academic aspirations, are capable with supportive services of performing satisfactorily at the College, and have a higher retention rate.

As a TRIO project director for the past six years, one of the most perplexing problems I have grappled with has been that of applying the eligibility criteria. Each of the various TRIO programs has a different definition of eligibility. In some instances, modified definitions of eligibility appear which apply to only one component of a comprehensive program of services. Furthermore, we are finding an increasing number of students who fall short of the present low-income standard by relatively few absolute dollars. The result is an alarming decrease in the numbers of eligible students by reason of low-income, and a correspondingly alarming increase in the numbers of potentially eligible students by reason of more judgemental criteria such as cultural or educational disadvantage. Rather than not be completely certain that we have correctly applied many of these less adequate program eligibility criteria, we have simply refused to use them at all. For example, we have no measure of "cultural disadvantage." Nor is there greater comfort in the more "objective" standards provided by standardized tests to measure educational disadvantage because the selection of a "cut-off" score to determine project eligibility remains arbitrary at the judgemental level. For these reasons I am endorsing the recommendations made to this subcommittee by the NCCEOA, namely that the basis for eligibility in any of the TRIO programs be determined as follows: (1) status as a first generation college student, and (2) compliance with a revised low-income standard (150% of the Bureau of the Census' poverty criteria).

I have previously alluded to the inadequacy of the present eligibility low-income standard as it relates to Special Services at Oberlin College. We are currently experiencing a reduction of as much as 80% in the percentages of students eligible by reason of low-income, even though a large proportion of these students "miss" income eligibility for program services by less than 150% of the Bureau of the Census' poverty criteria. The following table clearly shows that the first generation criteria suggested would find applicability at an independent private liberal arts college like Oberlin.

First-Generation College Students at Oberlin

	APPLIED	ACCEPTED	ENROLLED
1978	455	186	82
1977	524	170	91
1976	471	163	98
1975	457	173	107
1974	599	200	117
1973	656	207	127
1972	472	169	101

As it was pointed out in the testimony presented by the NCCEOA, if one walks on to a college campus today, there is only about an 8% chance that the first person met will be the child of a person with five to eight years of schooling (a first generation college student). It is of interest to note that the figures shown above under the column labeled "enrolled", represent roughly 8% of the total freshmen class for each year shown.

This Committee has long recognized that a student aid strategy which does not at the same time provide supportive services is doomed to failure. At Oberlin, the same faculty legislation I referred to earlier also mandates that 38% of the financial aid budget of the college be set aside for minority students. Financial need remains a major impediment to minority and low-income populations' participation in higher education. No amount of program supportive services can achieve the goal of student retention if the students are indeed not given a reasonable chance to graduate because of financial burdens. Our experience at Oberlin clearly supports the thesis that adequate financial assistance and retention to graduation go hand in hand. No Special Services student has withdrawn from Oberlin because of inadequate financial assistance. For these reasons I recommend that the legislation be amended to require that each Special Services student enrolled receive sufficient financial assistance to meet their determined need.

Finally, I would be remiss indeed if I did not take this opportunity to endorse the NCCEOA recommendation increasing the authorization level. I recommend an increase in the TRIO authorization level from $200 million to $400 million.

In closing, I should like to commend the members of this Committee for their diligence in working toward providing both young people and adults in this society an opportunity to achieve upward mobility with dignity. The TRIO programs enhance the other Student Assistance Programs authorized under Title IV because they focus on student retention and help to assure that the Student Assistance Programs are utilized to achieve the goal of greater equality of opportunity in postsecondary education. Your hard work and effort in this area is both noted and appreciated by TRIO practitioners. I greatly appreciate the consideration this Subcommittee has already given to the NCEEOA recommendations and I welcome any inquires or comments you might have about my own testimony. Thank you.

Mr. Ford. Thank you. Mr. Ralph Tomassi, assistant director of admissions, Ashland College.

STATEMENT OF RALPH TOMASSI, ASSISTANT DIRECTOR OF ADMISSIONS, ASHLAND COLLEGE

Mr. Tomassi. There is a direct correlation between the percentage of families receiving Federal and State loans to meet the costs of private institutions, and the widening gap in tuition cost between Ohio public universities and private colleges.

The lower middle-income family—yearly income between $18,000 and $25,000—who are designated ineligible by Federal standards and guidelines for financial assistance, have developed into the primary socioeconomic class to rely increasingly on National and State loan programs.

Although these families, in most instances, would prefer supplemental aid to help defray the cost of a private education, they are unable to qualify under present Federal regulations so are forced to investigate other means of subsidizing costs; for example, N.D.S.L.

At Ashland College we have found that the long-range results of taking advantage of these loans are debts ranging from $200 to $12,500 that become payable shortly after graduation and may extend up to 10 years thereafter.

In lieu of these consequences, the decision on whether to contin[illegible] postsecondary education at a private or public institution becomes an economic decision, regardless of personal preference. Families classified ineligible for Federal funds, who wish to send their son or daughter to a private college are left with few alternatives to subsidize the difference in costs, other than loans. Many become turned off by the onus of prolonged financial commitment.

At Ashland College, institutional funds have been depleted prematurely each year despite the fact that the financial aid budget has increased steadily over the past 5 years. During that some period, Ashland has exceeded their financial aid allocations an average of approximately $25,000 per year.

In regards to stabilizing enrollment during a period of decline in high school graduates, private colleges have had to award more in institutional moneys to compete with public universities.

The combination of rising tuition differences between private and public institutions, and equal Federal guidelines for applicants have contributed significantly in placing many Ohio private colleges in financial difficulty. It is interesting to note that, in a recent survey of private institutions, the amount of institutional grants awarded by each institution is in close proximity to the sum of that same institution's present financial debts.

If private institutions of higher learning are to continue to grow and prosper, then the imbalance of Federal allocations between public and private institutions must be correlated and adjusted in proportion to the differences in their tuitions. [Graph A.]

If these adjustments [illegible] not implemented, large Federal and State loans will become the [illegible] alternative for those families who desire education at a private institution. In addition, private colleges will continue to pour more and more money into institutional funds creating financial operating deficits that could eventually prove fatal to their existence.

[Prepared statement of Mr. Tomassi follows:]

Report for the Subcommittee on Postsecondary Education

......Submitted by Ralph Tomassi
Asst. Director of Admissions
Ashland College
May 14, 1979

There is a direct correlation between the percentage of families receiving federal and state loans to meet the costs of private institutions, and the widening gap in tuition cost between Ohio public universities and private colleges.

The lower middle-income family (yearly income between $18,000-$25,000) who are designated ineligible by federal standards and guidelines for financial assistance, have developed into the primary socio-economic class to rely increasingly on national and state loan programs. Although these families, in most instances, would prefer supplemental aids to help defray the cost of a private education, they are unable to qualify under present federal regulations so are forced to investigate other means of subsidizing costs, (e.g., N.D.S.L.).

At Ashland College we have found that the long-range results of taking advantage of these loans are debts ranging from $200 to $12,500 that become payable shortly after graduation and may extend up to 10 years thereafter. In lieu of these consequences, the decision on whether to continue postsecondary education at a private or public institution becomes an economic decision, regardless of personal preference. Families classified ineligible for federal funds, who wish to send their son or daughter to a private college are left with few alternatives to subsidize the difference in costs, other than loans. Many become turned off by the onus of prolonged financial commitment.

At Ashland College, institutional funds have been depleted prematurely each year despite the fact that the financial aid budget has increased steadily over the past five years. During that same period, Ashland has exceeded their financial aid allocations an average of approximately $25,000 per year.

In regards to stabilizing enrollment during a period of decline in high school graduates, private colleges have had to award more in institutional monies to compete with public universities.

The combination of rising tuition differences between private and public institutions, and equal federal guidelines for applicants have contributed significantly in placing many Ohio private colleges in financial difficulty. It is interesting to note, that in a recent survey of private institutions, the amount of institutional grants awarded by each institution is in close-proximity to the sum of that same institution's present financial debts.

If private institutions of higher learning are to continue to grow and prosper then the imbalance of federal allocations between public and private institutions must be correlated and adjusted in proportion to the differences in their tuitions. (Graph A). If these adjustments are not implemented, large federal and state loans will become the sole alternative for those families who desire education at a private institution. In addition, private colleges will continue to pour more and more money into institutional funds creating financial operating deficits that could eventually prove fatal to their existence.

GRAPH A

ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO
50 West Broad Street, Suite 711, Columbus, Ohio 43215

AVERAGE TUITION RATES AT OHIO COLLEGES AND UNIVERSITIES, 1965-66 To 1978-79, inclusive

ACADEMIC YEAR	PUBLIC UNIVERSITIES	PRIVATE COLLEGES	TUITION GAP
1965-66	$573.30	$1,066.07	$ 492.77
1966-67	558.63	1,230.75	672.12
1967-68	551.27	1,346.41	795.14
1968-69	505.83	1,470.56	964.73
1969-70	588.50	1,583.97	995.47
1970-71	620.75	1,729.00	1,108.25
1971-72	707.50	1,883.12	1,175.62
1972-73	744.75	2,013.90	1,269.15
1973-74	751.50	2,116.72	1,365.22
1974-75	762.25	2,225.46	1,463.21
1975-76	783.25	2,402.57	1,619.32
1976-77	841.75	2,578.55	1,736.80
1977-78	885.00	2,737.95	1,852.95
1978-79	948.66	3,000.73	2,052.07

Over the 14 year period, public university tuition increased $375.36(65%)
Over the 14 year period, private college and university tuition increased $1934.66.(181%)
Over the 14 year period, the tuition gap increased $1,559.30. (316%)

GRAPH B

Percentage of Accepted Students Who Enrolled at Ashland College Receiving National Direct Student Loans: (1974-1979)

1978-1979	84%
1977-1978	81%
1976-1977	79%
1975-1976	75%
1974-1975	71%

* 993 of 2,088 Ashland College Graduates still owe nearly one million dollars to N.D.S.L. in principal.

* Nearly 20% of all students at Ashland College have needed an N.D.S.L.

* 293 of Ashland College's 376 borrower's are students with families in the Middle and or upper income levels.

* The default rate for N.D.S.L. at Ashland College is 10.8%.

Mr. FORD. Mr. Ed Below?

STATEMENT OF EDWIN G. BELOW, DIRECTOR OF STUDENT AID, BALDWIN-WALLACE COLLEGE

Mr. BELOW. I am Edwin Below, Director of Student Aid at Baldwin-Wallace College. I would like to thank you for giving me an opportunity to testify before this subcommittee. I am honored and grateful.

In looking to the future and reauthorization of the student assistance programs, there are many important and substantial issues that must be addressed. I would like to mention just one issue that I feel should be considered.

I would like to outline two goals I would like to see achieved. These two goals are, one, increasing a student's choice of institutions to attend by reducing financial barriers, and two, decreasing unnecessary administrative burdens while maintaining flexibility in the administration of aid programs at the institutional level.

I feel the current aid programs, by and large, have been effective and provide a good balance between grant, work, and loan. I would not recommend major revamping of the aid programs to achieve these goals. However, I do have suggestions for modifying some provisions to maximize the effectiveness of the programs.

The first goal I would suggest in reauthorization is to expand the opportunities for students to attend whatever college or university they choose, without regard to institutional costs. This means that the resources must be available to give greater assistance to a student who chooses a high-cost institution rather than a lower cost institution.

The provisions of the Middle Income Student Assistance Act, which will be fully implemented for students beginning this fall, is a big step in providing students with the resources to attend the college they choose.

The second goal I feel is important is reauthorizing the student assistance programs to insure that institutions continue to have flexibility and control in awarding assistance to students and that certain unnecessary administrative requirements are eliminated.

For most students, the institutional financial aid office is the point at which our national policy of equal educational opportunity through financial assistance programs becomes a tangible reality.

For most students, the financial aid office is where everything comes together in what we call the financial aid package.

For most students, the institutional financial aid counselor is the only decision maker in the financial aid process who they will ever see face to face. It is not surprising then that the financial aid office is the first place a student turns for explanations or answers to perplexing questions.

The institutional financial aid office is also the place most students come to explain unusual family circumstances or sudden changes in financial resources within the family.

Current legislation offers a good balance between the entitlement aspects of the basic grant program and the institutional administration and control of the college work study, supplemental educational opportunity grant, and the national direct student loan programs.

Current regulations give institutional financial aid officers the flexibility to consider unusual family circumstances in determining need and the flexibility to package a student with grant, loan and work to meet an individual student's unique circumstances. It is important that this institutional flexibility and control not be reduced.

The area where I am most concerned that institutional flexibility is threatened is in the various proposals for modifying the national direct and guaranteed student loan programs.

In considering the various proposals put forth to modify these programs, including a national loan bank and Secretary Califano's basic loan and supplemental loan proposal, the impact on institutional flexibility and control must be considered.

Loans are an integral and important part of the aid program at most private colleges. They represent a significant part of most students' aid package.

And loans are often the resource an aid administrator must fall back on when an adjustment must be made for unusual or extraordinary changes in family circumstances, particularly when the adjustment is made after the academic year has started.

It is imperative that institutional aid officers be able to have immediate access to loan funds throughout the school year, and to be able to award loans in a manner best suited to the institution and the student.

Provisions for centralized programs may mean greater administrative cost savings, and possibly greater accountability, but simplification often means less sensitivity to the unique needs and circumstances of individual students.

I would encourage you to consider this in your deliberations for reauthorization. Thank you for giving me this opportunity to testify.

[Prepared statement of Mr. Below follows:]

STATEMENT PRESENTED BY EDWIN BELOW, DIRECTOR OF FINANCIAL AID, BALDWIN-WALLACE COLLEGE, BEREA, OHIO

Mr. Chairman and Subcommittee Members:

First, I would like to thank you for giving me an opportunity to testify before this Subcommittee. It is not often that a financial aid director, who has the responsibility for much of the administration of financial aid programs, has the opportunity to appear before members of Congress with suggestions for changes in the programs he administers. I am honored and grateful to have this opportunity.

I would also like to thank Paul Dawson, Director of the Oberlin Public Service Studies Program, Thomas Wolanin, Staff Director of the Subcommittee and Congressmen Ford, Mottl, Ashbrook and Pease for bringing the Subcommittee to Oberlin. I think this action demonstrates the interest and concern of the Subcommittee members to hear the views and suggestions of the students and administrators that deal with these programs.

Let me tell you something about the financial aid program at Baldwin-Wallace College. Baldwin-Wallace College is an independent liberal arts college affiliated with the United Methodist Church. We have an enrollment of 1875 full-time undergraduate students and an additional 765 part-time undergraduate students. Baldwin-Wallace also has two masters degree programs in education and in business administration, with a total enrollment of 590. Our full-time tuition cost for the current year is $3609. For a student who lives on campus, the total budget, including books, supplies and miscellaneous expenses, is $5740. For the 1979-80 school year, the total budget will be $6375.

Approximately 60% of all full-time undergraduate students receive financial assistance based on need. Another 20% receive assistance in the form of non-work-study campus employment, academic Scholarships and Guaranteed Student Loans. Because Baldwin-Wallace is committed to meeting the full financial need of all accepted students, we have made a large financial commitment for financial aid. Last year

Baldwin-Wallace awarded $1,220,000 to students in institutional grant-in-aid based on need. For the current year, institutional grant-in-aid will amount to approximately $1.3 million. However, this represents only about 40% of our total aid program of $3.3 million. 48% of the total is from federal sources: National Direct Student Loans, Basic Grants, Supplemental Grants and College Work-Study. The other 12% comes from state and private sources.

The goal of our aid program is to provide every needy student with the opportunity to attend Baldwin-Wallace. Our students receive significant assistance from both the government and the institution to reach this goal. Thus, we are very interested and concerned with the reauthorization of the Higher Education Act.

With this as background, I would like to outline my suggestions for reauthorization by describing two general goals I would like to see achieved in the reauthorization process. These two goals are 1) increasing a student's choice of institutions to attend by reducing financial barriers and 2) decreasing UNNECESSARY administrative burdens while maintaining flexibility in the administration of aid programs at the institutional level. I feel the current aid programs, by and large, have been effective and provide a good balance between grant, work and loan. I would not recommend major revamping of the aid programs to achieve these goals. However, I do have suggestions for modifying some provisions to maximize the effectiveness of the programs.

The first goal I would suggest in reauthorization is to expand the opportunities for students to attend whatever college or university they choose, without regard to institutional costs. This means that the resources must be available to give greater assistance to a student who chooses a high cost institution rather than a lower cost institution. The provisions of the Middle Income Student Assistance Act, which will be fully implemented for students beginning this fall, is a big step in providing students with the resources to attend the College they choose.

Increased funding and expanded eligibility for student aid programs provided in the Act will be a boost for student choice. In the reauthorization of these programs, I would suggest further refinements to increase student choice. My specific recommendations are:

1. Provide for automatic increases in the maximum Basic Grant from $1800 for the academic year 1979-80 to $2400 for the academic year 1985-86. These automatic increases would help offset the steady increases in college tuition costs.
2. Expand eligibility for the Basic Grant and Supplemental Educational Opportunity Grant (SEOG) programs to five academic years. This would allow many students who have unusual academic, personal or health problems the opportunity to receive assistance for an extra year to complete their degree.
3. Fund the SEOG program at a minimum level of $450,000,000 per year and increase the maximum grant to correspond with the maximum Basic Grant. Since the number of years a student can receive an SEOG is limited (see #2 above) the aggegate maximum SEOG level should be eliminated.
4. Increase the maximum aggregate Guaranteed Student Loan from $7500 to $10,000 for an undergraduate education and from $15,000 to $25,000 for undergraduate/graduate education combined. An optional 15 year repayment period should be allowed students with aggregate loans greater than $10,000.
5. Ensure greater availability of Guaranteed Student Loans. Unfortunately, this is a point where I have no specific suggestions. However, I do know that there is a great disparity from one state to another and even from city to city within the same state in availability

of Guaranteed Student Loans. This disparity tends to reduce the opportunities for a student to attend the college they wish.

The second goal I feel is important in reauthorizing the student assistance programs to ensure that institutions continue to have flexibility and control in awarding assistance to students and that certain unnecessary administrative requirements are eliminated.

For most students, the institutional financial aid office is the point at which our national policy of equal educational opportunity through financial assistance programs becomes a tangible reality. For most students, the financial aid office is where everything comes together in what we call the financial aid package. For most students, the institutional financial aid counselor is the only decision maker in the financial aid process who they will ever see face to face. It is not surprising then that the financial aid office is the first place a student turns for explanations or answers to perplexing questions. The institutional financial aid office is also the place most students come to explain unusual family circumstances or sudden changes in financial resources within the family.

Current legislation offers a good balance between the entitlement aspects of the Basic Grant Program and the institutional administration and control of the College Work-Study, Supplemental Educational Opportunity Grant and National Direct Student Loan programs. Current regulations give institutional financial aid officers the flexibility to consider unusual family circumstances in determining need and the flexibility to package a student with grant, loan and work to meet an individual student's unique circumstances. It is important that this institutional flexibility and control not be reduced.

The area where I am most concerned that institutional flexibility is threatened is in the various proposals for modifying the National Direct and Guaranteed Student Loan programs.

In considering the various proposals put forth to modify these programs, including a national loan bank and Secretary Califano's basic loan and supplemental loan proposal, the impact on institutional flexibility and control must be considered. Loans are an integral amd important part of the aid program at most private colleges. They represent a significant part of most student's aid package. And loans are often the resource an aid administrator must fall back on when an adjustment must be made for unusual or extraordinary changes in family circumstances, particularly when the adjustment is made after the academic year has started. It is imperative that institutional aid officers be able to have immediate access to loan funds throughout the school year and to be able to award loans in a manner best suited to the institution and the student.

My specific recommendations to achieve the goal of maintaining institutional flexibility and reducing unnecessary administrative requirements are:

1. The NDSL program should remain in its present form with the institution controlling the capital funds for the program.
2. The Office of Education should be allowed to provide additional assistance in NDSL collections, particularly in providing skip tracing assistance.
3. Institutions should be reimbursed for their 1/9 share of NDSL's turned over to the government for collection.
4. A provision should be included in the reauthorization that would allow students to consolidate the repayment of NDSL and GSL loans. When the aggregate total of both loans exceeds $10,000, repayment should be extended to 15 years.
5. The maximum aggregate NDSL for undergraduate work should be increased from $5,000 to $7,500 and the maximum aggregate for the first two years of college be increased from $2,500 to $3,750.

Also, the maximum aggregate for undergraduate/graduate education should be increased from $10,000 to $20,000.

6. For work-study, up to 10% of a years allocation should be permitted to be carried over to the next year or borrowed from the next year to use in the current year.
7. The use of normal or average cost of tuition and room and board should be allowed in calculating the cost of education for a Basic Grant.

Mr. FORD. Thank You. Mariellen Howell.

STATEMENT OF MARIELLEN HOWELL, DIRECTOR OF FINANCIAL AID, DENISON UNIVERSITY

Ms. HOWELL. I am director of Financial Aid at Denison University, where I have been for 10 months. Prior to that, I was assistant director of Financial Aid for Graduate Students at Simmons College in Boston. Since I did work with graduate students, I think I am a little bit more concerned with the loan programs in a different respect than many of the people you have heard.

I feel that multiple lending is the most serious problem in the loan program. It is important, I believe, that more loan funds be available to graduate students, particularly as very little Federal or State grant aid is available in many graduate disciplines. Yet, when graduate students have loans from more than one source, the repayment problem is tremendous.

I had a student at Simmons College who had loans from five different lenders, and her minimum payment when she graduated with a Master's degree in social work was $240 a month. That is a very high repayment on a $10,000 salary, and it is not necessary. Her total debt was not unreasonable, nor was each lender's expected repayment when taken alone. But combined, the repayment was insupportable.

If we had some way of coordinating the programs so the student could pay a smaller amount over a longer period of time, we would be in a much better position. The point made earlier by my student, Danny Aichele, is a good one: we don't want to encourage the students, through higher loan maximums, to borrow irresponsibly. But, for the students who do need it, more loan funds and better loan repayment options must be made available.

I mentioned a number of other small administrative points, in my written statement, which I hope you will consider. But the major concern on my agenda is the student loan programs, so I took that up to summarize for you.

[Prepared statement of Ms. Howell follows:]

Statement Presented by Mariellen S. Howell, Director of Financial Aid and Student Employment, Denison University

Mr. Chairman and Members of the Subcommittee,

I am Mariellen Howell, Director of Financial Aid and Student Employment at Denison University. I am pleased to be here today, to share with you my experiences with and perspectives on the federal student aid programs, in connection with their imminent reauthorization.

Although, in comparison with some of my distinguished colleagues here today, I am a mere novice in this profession, I have in my three years as a student aid officer worked in both undergraduate and graduate student aid. My first two years as a financial aid officer were spent at Simmons College in Boston, where I was Assistant Director of Financial Aid, in charge of graduate student aid programs. During that time, while I also worked with undergraduates, my main preoccupation professionally was with the special needs and problems of graduate student aid recipients.

Just ten months ago I came to Denison as Director of Financial Aid for a wholly undergraduate institution. Now that I am a director, many of my new preoccupations are with the administrative aspects of the aid programs. But the perspective I developed at Simmons carries through. I do not see attainment of the bachelor's degree as the end of my involvement in my students' lives. I see my students as potential graduate students, and I am familiar with the special problems they will face if they go on.

I enjoy my work, largely because I believe in the basis of the system. When I first became an aid officer, I wasn't at all sure that I would feel comfortable with the decisions I would have to make and the rules I would have to enforce. When I was a student, just a few years ago, I was one of those quasi-independents -- I said I was, but "they" said I was not! Naturally, I thought "they" were being terribly unjust.

Now, on the other side of the desk, I understand why. And my experience on this side of the desk has been that the system does work for almost all students. It even worked for me -- after all, I did graduate.

I have never met a financial aid officer, dedicated believers in the system 'though most of us are, who didn't have something to complain about. I am no exception to that rule. The basics of the system work well, but some of the practical details are in need of revision. Let me briefly explain some of my concerns.

The first of these involves the availability of funding for less than full-time students. I have long been disturbed at the way federal aid eligibility, such as Basic Grant eligibility, is handled in these cases. It makes good sense to me to award an annual Basic Grant of half the full-time amount to a half-time student. But it seems very unjust to limit that half-time student to four years of eligibility. For him, "normal progress" toward the degree will take eight years. Logically, since we are awarding only half as much each time, that student ought to be eligible twice as many times.

Half-time students have difficulty obtaining sufficient funds even while their eligibility under the SEOG and BEOG programs lasts, because many institutions, like Denison, find that their available funds are totally exhausted after meeting the needs of the full-time student population. Removal of federal eligibility after four years seems to add an arbitrary and unneccessary hardship for the student who cannot attend full-time.

The next concern on my list also involves money. The size of individual Supplemental Grants is growing diproportionately small in relation to college costs. Denison's cost for 1979-80 is $6960. The maximum SEOG and the maximum BEOG combined do not equal even half that cost. BEOG's have been slowly increasing, but SEOG's have been at the same maximum level for some time. Growth in the maximum Supplemental Grant is needed, and along with that growth a change in the SEOG matching requirement. To ensure that SEOG funds are used where they are most needed, only institutional and state funds should be considered eligible for matching purposes.

I would also like to recommend that the distinction between initial and continuing year SEOG funds be removed. That distinction does not seem to be serving any constructive purpose at this time, while it does cause continual administrative difficulty.

From these relatively minor points I'll move into a larger and more imperative concern: the student loan programs. The facets of this issue which are, I think, in need of most careful consideration are lender access and repayment facilitation. Several of the proposals, such as HEW Secretary Califano's, which have recently emerged in this area show real promise. The idea of unlimited availability of NDSL - like funds is bound to be a popular one with aid administrators. And perhaps a centralized loan and collection agency, which offers services at least on student request, is necessary in order to solve the problems presented in the student case histories that follow.

While working with graduate students, I became very concerned about student borrowing and repayment. There is little federal or state grant assistance available to graduate students in many disciplines, and so they often must turn to the student loan programs. There are problems associated with a multiple lending program such as we now have. But phase-out of the college-based NDSL program is not the solution, and we are very grateful to the Congress for resisting attempts to move in this direction. It would not be wise to rely on the GSL program alone, as GSL's are not uniformly available.

At Denison we presently have an early decision (which means Denison is her first choice college) prospective freshman whom we admitted in February. We offered her financial aid, but she keeps asking for an extension on her reply date, because from February until now she has been unable to locate a GSL lender. Her family feels that they cannot make the contribution we are expecting, but I have been unable to find any allowable adjustments to the needs analysis. As sometimes happens with families who have minimal liquid assets, the problem is simply that the "available income" computation from which the expected contribution derives is based on a minimum standard living allowance. Neither the student nor the parents want to see the family living more minimally. So the family needs a GSL -- the program seems designed for them. But they happen to be living in one of those geographical pockets where lenders are scarce.

We need both programs. They serve two different purposes, and both need to be more uniformly accessible. But we also need to be concerned about the fact that loans are often too available -- too frequent or too varied borrowing can cause problems.

While at Simmons I worked with a student who had borrowed from five different lenders. She finally graduated with a Master's in Social Work, with a starting salary of $10,000 — and found herself facing a combined "minimum" repayment of $240 per month. Obviously this is not an affordable level of repayment on such a salary. The amount of her total indebtedness was not too unreasonable — therefore she had not worried much about it — but she discovered that the repayment schedules were not reasonable at all.

Five different lenders may at first seem to be an extreme case, particularly to one used to thinking in undergraduate terms. But a needy student is apt to have an NDSL from each institution he has attended. Most graduate students have attended at least two. And often, because of individual bank policies, a student must borrow through two or more lenders in order to obtain the funds he needs.

Repayment can easily become burdensome, because each loan program is designed, in terms of repayment, to stand alone. Each lender wants to collect his "minimum" repayment. Some banks are very reluctant to use a repayment schedule in excess of five years. And so it goes. The student must deal with these all too often unanticipated demands, with only his education as an asset to fall back on -- and that education very often does not put him in clover right away.

Loan consolidation and graduated repayment options must be made available. It is reasonable to expect that, as a result of making them available, we will see a reduction in the level of delinquency and default. It is equally reasonable to expect that less repayment frustration will improve alumni relations, which may in turn lessen the burden on the tax-payer and the tuition-payer, for the support of higher education.

My final plea to you on matters of policy is for your continued support of funding for professional training. Things change very quickly in this field, and it is often difficult to stay abreast. It is even more difficult to gain the basic grounding when you first enter the field. Training must also extend more pervasively to the high school counselor profession, training not only on what the programs are but also on how the financial aid system as a whole can and should work.

It is my personal conviction that access is barred by ignorance and misinformation more often than by any other factors. That belief stems from my contacts with those who mistrust what they hear and come to me anyway. I assume these to be the exceptions.

We have, thanks to your continual efforts, student financial aid programs which do provide access. We have programs that work. We must now see to it that the fact is accepted, and knowledge of it widespread.

Thank you for your attention to my comments, and for the opportunity to participate in the legislative process. This concludes my remarks, and I will now be pleased to answer any questions you may have.

Mr. FORD. Thank you very much. Wesley Tutchings, director of Scholarships and Student Aid of Kenyon College.

STATEMENT OF P. WESLEY TUTCHINGS, DIRECTOR OF SCHOLARSHIPS AND STUDENT AID, KENYON COLLEGE

Mr. TUTCHINGS. Representative Ford and members of the Subcommittee on Postsecondary Education, in relation to the other institutions here today, Kenyon is unique in that we probably have the lowest percentage of students receiving aid, 25.5, and certainly the lowest percentage of students, 18.7, receiving aid from one of the three campus-based Federal programs.

For good or bad, this is simply fact. In our defense, however, we do have great difficulty in attracting large numbers of students who would qualify for financial aid, especially those for whom campus-based aid would be available.

Nevertheless, in one important aspect, we are not unique. My office is responsible for the administration of more funds than anyone else in the entire college other than the chief fiscal officer.

I am certain the same is true for all of my esteemed colleagues gathered here. For example, in 1977–78, the total amount of all student aid funds administered by my office was $1,542,550. Of that total, $407,321 ($202,981 campus-based, $194,390 guaranteed student loans) came from federally controlled and-or subsidized funds. And this at a college with very few students on aid.

The time spent administering aid programs, especially those involving some type of Federal regulation, is enormous. All of us, I am certain, have spent many long days and nights not only filling out all of the forms but also just trying to keep up with the never-ending—or so it seems—changes in regulations.

And when you add to that, the amount of time the support staff members spend filing, typing, sending out forms, and so forth, the administrative cost allowance is regretfully low. This is especially true now since, under title I of the Education Amendments of 1976, the administrative allowance must first be used for student consumer information services. Any amount remaining must be used to administer the three student aid programs.

Granted, because of the low volume of business we do in the campus-based programs, our administrative allowance would be low to begin with, it still figures out—minus the consumer information amount—to less than 1 percent of the salaries of those actively involved.

Conservatively, I figure I spend 30 percent of my time administrating these programs. Therefore, it is hoped that any proposal to increase the administrative cost allowance would be given serious consideration.

Administrating these funds also causes problems. Delays in notification of allocations for the campus-based programs—we still do not know what the figures will be for next year—simply means a tentative award offer for not only freshman applicants, but upper classmen as well. And then drastic changes later, if needed.

And I still must resolve the problem concerning the Federal regulation of granting aid in excess of need, of meeting a freshman's need with a combination of grant, national direct student loan, campus work study employment, and a basic educational opportunity grant—based on eligibility—only to learn later that he or she has been also awarded an Ohio academic scholarship of $1,000 per year based not on need but solely on academic ability.

I am further perplexed by recent changes and proposed changes emanating from the Office of Education. Demonstrated need has always been of the utmost importance in the awarding of campus-based Federal programs, and verification of need must be readily available when the programs are audited.

Yet, in the most recent application for participation; that is, for July 1, 1979 through June 30, 1980, an eligible applicant was defined as someone enrolled at least half time in an eligible program who met the program requirement for citizenship and for whom the institution had on file information regarding family income. Need was not a consideration.

It strikes me as odd that we had to consider, for purposes of determining our eligibility for fair share funds, individuals with no need as applicants when they would be ineligible to receive any funds from the programs in the first place.

Now we have been informed that the latest proposed change would combine the national direct student loan and the guaranteed student loan programs into basic and supplemental programs based on need. This comes less than 6 months after the Middle Income Student Assistance Act became law and with it the elimination of the family income limit.

This could have a disastrous effect on our campus, since this year alone 100 students with no demonstrated need participated in this program and borrowed a collective total of $212,000.

Quite frankly, at this point, I do not know whether I should continue to counsel and advise students with need or spend my time working with no-need students, thereby assuring that we will be able to keep our enrollment from slipping drastically.

I apologize if all this sounds negative, but these are concerns which all of us here have. Being a financial aid officer is a difficult job with many requirements and responsibilities and many, many rough moments.

Yet, in spite of the trials and tribulations, the position can have its rewards.

I shall never forget a student from a ghetto area of a large New Jersey City who came to Kenyon on substantial aid, both institutional and Federal. Throughout her four years, she worked diligently in her courses and was appreciative of our continued support both monetarily and otherwise.

What shall remain with me for a long time was that day in her senior year when, having been admitted to one of the leading law schools in the country, she came into my office to thank all of us for helping to make it possible. That's when it is all worth while.

Thank you very much.

[Prepared statement by Mr. Tutchings follows:]

STATEMENT BY P. WESLEY TUTCHINGS, DIRECTOR OF STUDENT AID, KENYON COLLEGE, OBERLIN, OHIO

Representative Ford and Members of the Subcommittee on Postsecondary Education:

In relation to the other institutions here today, Kenyon is unique in that we probably have the lowest percentage of students receiving aid (25.5) and certainly the lowest percentage of students (18.7) receiving aid from one of the three campus-based federal programs. For good or bad, this is simply fact. In our defense, however, we do have great difficulty in attracting large numbers of students who would qualify for financial aid, especially those for whom campus-based aid would be available.

Nevertheless, in one important aspect, we are not unique. My office is responsible for the administration of more funds than anyone else in the entire College other than the chief fiscal officer. I'm certain the same is true for all of my esteemed colleagues gathered here. For example in 1977-78, the total amount of all student aid funds administered by my office was $1,542,550. Of that total $407,321 ($202,931 campus-based, $194,390 Guaranteed Student Loans) came from federally controlled and/or subsidized funds. And this at a college with very few students on aid.

The time spent administering aid programs, especially those involving some type of federal regulation, is enormous. All of us, I'm certain, have spent many long days and nights not only filling out all of the forms but also just trying to keep up with the never ending (or so it seems) changes in regulations. And when you add to that, the amount of time the support staff members spend filing, typing, sending out forms, etc., the administrative cost allowance is regretfully low. This is especially true now since under Title I of the Education Amendments of 1976, the administrative allowance must first be used for student consumer information services. Any amount remaining must be used to administer the three student aid programs.

Granted, because of the low volume of business we do in the campus-based programs, our administrative allowance would be low to begin with, it still figures out (minus the consumer information amount) to less than 1% of the salaries of those actively involved. Conservatively I figure I spend 30% of my time administrating these programs. Therefore it is hoped that any proposal to increase the administrative cost allowance would be given serious consideration.

Administrating these funds also causes problems. Delays in notification of allocations for the campus-based programs (we still do not know what the figures will be for next year) simply means a tentative award offer for not only freshmen applicants, but upperclassmen as well. And then drastic changes later if needed. And I still must resolve the problem concerning the federal regulation of granting aid in excess of need, of meeting a [illegible]'s need with a combination of grant, National Direct Student Loan, Campus Work-Study employment and a Basic Educational Opportunity Grant (based on eligibility) only to learn later that he or she has been also awarded an Ohio Academic Scholarship of $1,000 per year based not on need but solely on academic ability.

I am further perplexed by recent changes and proposed changes emanating from the Office of Education. Demonstrated need has always been of utmost importance in the awarding of campus-based federal programs and verification of need must be readily available when the programs are audited. Yet, in the most recent application for participation i.e. for July 1, 1979 through June 30, 1980, an eligible applicant was defined as someone enrolled at least half time in an eligible program who met the program requirement for citizenship and for whom the institution had on file information regarding family income. Need was not a consideration. It strikes me as odd that we had to consider, for purposes of determining our eligibility for "fair share" funds, individuals with no need as applicants when they would be ineligible to receive any funds from the programs in the first place.

Now we have been informed that the latest proposed change would combine the National Direct Student Loan and the Guaranteed Student Loan programs into "basic" and "supplemental" programs based on need. This comes less than six months after the Middle Income Student Assistance Act became law and with it the elimination of the family income limit. This could have a disastrous effect on our campus since this year alone, 100 students with no demonstrated need participated in this program and borrowed a collective total of $212,000. Quite frankly at this point I do not know whether I should continue to counsel and advise students with need or spend my time working with no-need students thereby assuring that we will be able to keep our enrollment from slipping drastically.

I apologize if all this sounds negative but these are concerns which all of us here have. Being a financial aid officer is a difficult job with many requirements and responsibilities and many, many rough moments. Yet in spite of the trials and tribulations, the position can have its rewards. I shall never forget a student from a ghetto area of a large New Jersey city who came to Kenyon on substantial aid, both institutional and federal. Throughout her four years, she worked diligently in her courses and was appreciative of our continued support both monetarily and otherwise. What shall remain with me for a long time was that day in her senior year when, having been admitted to one of the leading law schools in the country, she came into my office to thank all of us for helping to make it possible. That's when it's all worth while.

Thank you for giving me this opportunity to be here today.

Mr. **Ford**. Thank you very much. Mr. Paul M. Orehovec, director Financial Aid, College of Wooster.

STATEMENT OF PAUL M. OREHOVEC, DIRECTOR OF FINANCIAL AID, COLLEGE OF WOOSTER

Mr. Orehovec. I address this committee today as a representative of the administrative staff of the College of Wooster, a private liberal arts college of under 2,000 students. Almost one-half of our student body qualified for financial assistance on the basis of demonstrated need.

The average need for each of these students is almost $3,500 per year and increasing annually. Because there has been support over the years for "choice" as well as "access" to higher education, almost half our student body has received approximately $3,500 to assist in financing their education.

The Federal Government has assisted in this concept of choice by providing on the average almost $1,300 for each of these students. These efforts are appreciated by students who benefit. Our concern today is to insure that the concept of "freedom of choice" continues in the future.

Private education offers a distinctive choice of learning for many of the students in this country. With a disproportionate number of students going into the fields of medicine, law, and science from the private sector, independent colleges and universities offer unique opportunities that are not available at many State-supported institutions.

Yet, without adequate financial assistance, a Wooster education would not be available to many of our students.

Through the efforts of many of Wooster's alumni and friends, along with the support of the Federal and State financial aid program, the College of Wooster is a realistic "choice" for students, and the word "choice" is not just a term used to provide unrealistic alternatives.

I have with me today 12 recommendations, some of which are general in nature; others that will continue this concept of student choice.

Rather then read these 12 recommendations, I decided to submit them in written form. Instead, I would like to cite two examples of how your efforts can and do affect the choice that students have in an open marketplace.

The first example is that of a student from Millersburg, Ohio, whose combined family income is under $11,000 annually. This student, whom I will refer to as Bill, was looking for a college or university with a reputable chemistry department, excellent facilities, and a faculty that was concerned and interested in the individual student.

When he first started considering colleges, Bill did not include private institutions as a possible choice. The reason was basically the cost factor. After visiting the College of Wooster, Bill was most happy with the program and climate of our campus.

However, when visiting my office, he sensed a certain amount of financial reality surfacing. He stated that he thoroughly enjoyed his visit to Wooster, but a Wooster education was not within his family's financial means.

As it turned out, Bill qualified for a substantial amount of financial assistance. With the help of a basic grant, campus-based funding, a State grant as well as a substantial College of Wooster grant, a College of Wooster education was made possible for Bill. He has been successful in his major field, has participated in college extracurricular activities and is currently planning on graduate study.

My second example is that of a woman named Shirley, who lives in Cleveland. Shirley came from a family where both parents were laborers, and she was the second family member attending college.

Although it was going to be very tight financially, Shirley's choice was the College of Wooster, because of the unique experiences she found while visiting our campus.

However, 4 months prior to the beginning of classes, Shirley's mother was terminated from her position. Her unemployment continued almost 7 months. Subsequently, Shirley was about to choose a State-supported institution before she had the opportunity to experience a Wooster education.

Fortunately, we were made aware of these circumstances, and we were able to assist Shirley during that year of hardship. Again, through a combination of financial aid resources including funds from the campus-based programs, Shirley was able to attend the College of Wooster.

For these students, the College of Wooster provided a unique experience. Without the commitment by the college to provide a substantial aid budget as well as the commitment through Federal financial aid programs, these students, along with many others, might never have had a choice of colleges or universities.

The 12 recommendations I offer to you will provide a realistic choice for students. In particular, I feel recommendations No. 2, retaining the half-cost provision of the basic grant program, and No. 8, retaining college work-study as need-base program, will insure the pluralistic system of postsecondary education, as well as recognize the unique educational program offered by independent colleges and universities.

On behalf of the College of Wooster, I appreciate the time, effort, and support of this subcommittee, and I applaud your efforts to hold this hearing at Oberlin. Thank you for allowing us to participate as we all attempt to provide "freedom of choice" in higher education.

[Prepared statement of Mr. Orehovec follows:]

Presentation to The House of Representatives
Subcommittee on Postsecondary Education
Oberlin College
by Paul M. Orehovec
Director of Financial Aid
The College of Wooster
May 14, 1979

Recommendations for Reauthorization Legislation

1. With an increase in the educational costs of postsecondary education, I would direct your attention to Section 411(a) (2) (A) (i) which states that "the amount of the basic grant for a student eligible under this subpart for any academic year shall be $1,800 less an amount equal to the amount determined under Paragraph (3) to be the expected family contribution with respect to that student for that year." Keeping in mind our increased costs, I recommend that this section be changed to include an annual increase of approximately 5 percent per year to reach a maximum grant of $2,400 for the academic year 1985-86.

2. The second recommendation regarding the Basic Educational Opportunity Grant Program relates to the half-cost provision currently incorporated in the regulations. Rather than recommend a change in this regulation, I want to make it clear that I wholeheartedly support the half-cost provision being continued. I understand that various associations and interest groups have recommended the half-cost provision be deleted, and we in the private sector would not like to have this happen. If this were to happen, we could experience an influx of basic grant funds to low-cost institutions at the expense of future funding to higher-cost institutions. Furthermore, we could experience an imbalance of the

amount of self-help (loan and work) that a student would find it necessary to take at the higher-cost institution.

3. Since the cost of postsecondary education will continue to increase, I request an increase in the undergraduate loan limitations. More specifically, I would like to see the Guaranteed Student Loan undergraduate maximum loan limit increased from $7,500 to $10,000. Additionally, I would like to see the National Direct Student Loan undergraduate maximum loan limit increased from the current $5,000 to $10,000.

4. I would recommend that students who borrow in excess of $10,000 for both undergraduate and graduate school be permitted a 15-year repayment period rather than the current 10-year limitation.

5. I would recommend that this subcommittee build in legislation that would allow for a student who finds it necessary to borrow from various federal loan programs to combine them in some form of repayment plan. With increased costs, many of our students are finding it necessary to seek loan funds from more than one source. This creates a particular hardship when several payments begin on these loan programs. It only makes sense that a student should have some means of coordinating repayment on educational loan programs.

6. In order to assure continued utilization of the Guaranteed Student Loan Program, I recommend that the 12 percent maximum interest paid to Guaranteed Student Loan lenders be removed. Rather, I would recommend that there not be a cap on the maximum interest rates since the interest rate must reflect the existing money market. This change would assure that lenders continue to participate in the program.

7. Regarding the College Work-Study Program, I recommend that 10 percent of the College Work-Study funds be permitted to be carried over from one fiscal year to the next or be drawn from the subsequent fiscal year to take care of the present fiscal year's expenditures. I make this recommendation because oftentimes it is most difficult to pinpoint exact spending amounts under this program.

8. The second recommendation for the Work-Study Program is that no changes be made in regard to providing College Work-Study monies to non-need students. There have been several position papers noted over the past few years requesting that College Work-Study funds be open to all students regardless of whether or not they demonstrate need. There is some concern from the private sector that we would not want to see Work-Study funds going to non-need students on some campuses while other campuses are struggling to increase their College Work-Study funding to meet the needs of needy students.

9. Regarding the Supplemental Educational Opportunity Grant Program, I would encourage that we keep the distinction between the initial year and the continuing year SEOG awards. I understand that there have been proposals forthcoming that would consider eliminating this distinction. My concern is that the private sector may see increased funding going toward two-year colleges while private institutions continue to struggle to find the needed resources to meet students' demonstrated needs.

10. To take into consideration increased costs for college education as well as to note the importance of the campus-based programs, I recommend that the threshold levels of the campus-based programs be increased as follows:

a. SEOG from $370,000,000 to $450,000,000

b. CWSP $500,000,000 to $600,000,000

d. NDSL $286,000,000 to $400,000,000

11. I would also recommend that institutions be given more flexibility in transferring funds among the campus-based programs. Currently, we are permitted to transfer between the College Work-Study Program and the Supplemental Educational Opportunity Grant Program. I would recommend that we include the National Direct Student Loan Program in this transfer. In addition, I would recommend that the amount that we are permitted to transfer be increased from 10 percent to 20 percent of each of the programs.

12. Although an affidavit of educational purposes is required by law, I see no necessity to have this affidavit notarized. With some of our prospective students, there is difficulty in explaining where they can have this form notarized. In addition, this represents one more small cost that a student is required to make in applying for financial assistance which is not necessary. Therefore, I would recommend that we continue the affidavit for educational purposes but that it not be notarized.

PMO:eb

Mr. **Ford**. Thank you. Mr. Gary Rohmann, director of Financial Aid, Mount Vernon Nazarene College.

STATEMENT OF GARY ROHMANN, DIRECTOR OF FINANCIAL AID, MOUNT VERNON NAZARENE COLLEGE

Mr. **Rohmann**. I would like to have Dr. Nees' statement be entered as part of the record.

Mr. **Ford**. Without objection, it will be placed in the record.

Mr. **Rohmann**. First of all, I would like to take this opportunity to commend Congress and especially the members of the House Subcommittee on Postsecondary Education and their respective staffs, on the enactment of the Middle Income Student Assistance Act of 1978.

Together with its supporting appropriations for the 1979-80 school year, this is a major step forward in the continuing effort to assure financial accessibility of all Americans to all of American higher education. As a member of the financial aid community, I pledge my allegiance to administer the funds that have been appropriated for the various student aid programs to the intent for which they were provided.

The impact of student financial aid programs on Mount Vernon Nazarene College. The various federally funded student aid programs play a vital role in the education process at Mount Vernon Nazarene College. I have prepared facts to attempt to illustrate this statement.

You see a 1978 appropriation of $1,046,416. The $1,046,416 that has been appropriated through the various federally funded student aid programs represents 37 percent of our institution's current fund income.

Briefly, over 70 percent of our institution's student enrollment receives some form of financial aid. Over one-half of the student enrollment receives some form of federally funded student aid.

Mount Vernon Nazarene College is also committed to assisting students in bridging the gap in obtaining a college education and in securing the necessary funds to finance it.

For example, during the 1978-79 fiscal year, Mount Vernon Nazarene College contributed sufficient resources to account for a $1,000 scholarship for every student who attended our institution. I have submitted 14 recommendations, which I would like you to consider and go through in your reauthorization process. I will underscore Mr. Below's comment of allowing the flexibility of financial aid programs to be kept in the financial aid office. I think our integrity and professionalism—we are trying to exemplify it at all times and feel that we are competent enough to administer it in the ways that I outlined in my paper.

That is the end of my comments.

[Personal testimony of Mr. Rohmann follows:]

MOUNT VERNON NAZARENE COLLEGE
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A PERSONAL TETIMONY REGARDING THE IMPACT OF FEDERAL STUDENT FINANCIAL AID PROGRAMS AT INDEPENDENT LIBERAL ARTS COLLEGES

BY

GARY R. ROHMANN
DIRECTOR OF STUDENT FINANCIAL AID
MOUNT VERNON NAZARENE COLLEGE
MOUNT VERNON, OHIO

PRESENTED TO THE HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION
MAY 14, 1979
OBERLIN COLLEGE, OBERLIN OHIO

Mr. Chairman and Members of the Subcommittee:

It is indeed a pleasure to appear before you today. At the outset, I would like to take this opportunity to commend Congress and especially the members of the House Subcommittee on Postsecondary Education and their respective staffs, on the enactment of the Middle-Income Student Assistance Act of 1978. Together with its supporting appropriations for the 1979-80 school year, this is a major step forward in the continuing effort to assure financial accessibility of all Americans to all of American higher education. As a member of the financial aid community, I pledge my allegiance to administer the funds that have been appropriated for the various student aid programs to the intent for which they were provided.

In preparing for the hearing scheduled for today, representatives of the financial aid community were requested to prepare a written testimony that would lead a discussion on the impact and effectiveness of the federal student financial aid programs at independent liberal arts colleges. This, of course, is directly related to the Subcommittee's review of reauthorizing the Higher

Education Act of 1965 and related measures.

IMPACT OF STUDENT FINANCIAL AID PROGRAMS ON MOUNT VERNON NAZARENE COLLLEGE

The various federally funded student aid programs play a vital role in the education process at Mount Vernon Nazarene College. I have prepared the following facts to attempt to illustrate this statement.

(A) Mount Vernon is in the process of completing its eleventh year of academic instruction. The first eleven years have been marked with phenomenal progress:

(1) From 191 students in 1968 to 940 in 1978

(2) From a two-year college, 1968-1974 to a four-year liveral arts college beginnin in 1974

(3) From an operating budget of approximately $500,000 in 1968 to a current operating budget of over $4 million.

(4) From no recogition to accreditation by the North Central Association of Colleges and Schools and the Ohio Department of Education.

Mount Vernon Nazarene College is anchored to the liberal arts tradidion, sponsored and heavily supported by the Church of the Nazarene but with a non-sectarian admissions policy.

(B) Funding for the various Student Financial Aid Programs has increased from $92,700 in 1969 to $1,046,416 in 1978. The breakdown is as follows:

Program	1978 Appropriation
College Work-Study	$ 82,000
National Direct Student Loan	71,000
Supplemental Educational Opportunity Grant	34,000
Basic Educational Opportunity Grant	320,000
Guaranteed Student Loan	539,416
	$1,046,416

The $1,046416 that has been appropriated through the various federally funded student aid programs represents 37% of our institution's current fund income.

(C) Over 70% of our institutions student enrollment receives some form of financial aid. Over one-half (1/2) of the student enrollment receives some form of federally funded student aid.

(D) Mount Vernon Nazarene College is also committed to assisting students in bridging the gap in obtaining a college education and in securing the necessary funds to finance it. For example, during the 1978-79 fiscal year, Mount Vernon Nazarene College contributed sufficient resources to account for a $1,000 scholarship for every student who attended our institution.

SUGGESTIONS FOR THE HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION TO CONSIDER DURING THE REAUTHORIZING OF THE HIGHER EDUCATION ACT OF 1965 AND RELATED MEASURES

I am confident that members of House Subcommittee have received some indication already of the vital roles that the federally funded student aid programs play on the campus of Mount Vernon Nazarene College. However, at the same time, I am also confident that each member also recognizes the committment that Mount Vernon Nazarene College is making to each of its students in financing their college education. It can certainly be viewed as a cooperative relationship involving the government, the institution, and the most important person of all - the student.

I have placed before the Subcommittee and for the record the written testimony of the President of Mount Vernon Nazarene College, Dr. L. Guy Nees. Dr. Nees's Statement stresses the importance of private higher education in the total higher education process and the need of public administrators, such as yourselves, to give their attention to preserving and strenthening private higher education as you review the reauthorization of the Higher Education Act of 1965.

I would like to take this opportunity to provide some suggestions that I would like for the Subcommittee to consider as you continue in the reauthorization process.

GENERAL

The financial aid community has been well represented by the National Association of Student Financial Aid Administrators (NASFAA) under the very capable leadership of Mr. Dallas Martin. I fully endorse NASFAA's recommendation which suggests that increases be made in the present threshold levels of the campus-based programs.

SEOG - $370,000,000 to $450,000,000

CWSP - $500,000,000 to $600,000,000

NDSL - $286,000,000 to $400,000,000

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM - BEOG

(A) In view of the fact that the cost of postsecondary education continues to increase, the maximum BEOG award should gradually raise from the current maximum award level of $1,800 to $2,400 through 1985-86. This would involve step increases of five percent (5%) per year.

(B) In view of the fact that the "cost of attendance" for Basic Grant purposes has not been changed for some time, $600 should be considered an appropriate allowance for books, supplies, and personal expenses during the 1980-81 academic year and that $1,500 be considered as an appropriate allowance for students living at home or in off-campus housing. Both of these figures should be adjusted annually by the Commissioner of Education based on the Consumer Price Index.

(C) In view of the fact that many students do not complete their degree requirements in four academic years, a student should be allowed to receive a Basic Grant to complete thir first undergraduate degree. This period should not exceed the equivalent of five academic years as a full-time student.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM - SEOG

(A) In view of the fact that many students do not complete their degree requirements in four academic years, a student should be allowed to receive a SEOG award for a period of time necessary for completion of their first undergraduate degree. This period should not exceed five academic years.

(B) Since a student can receive a maximum SEOG award of $1,500 each year and in light of the above recommendation, a student should be permitted to receive a maximum of $7,500 aggregate.

(C) Amendments should be entered in the Supplementary Educational Opportunity Grants legislation that clearly authorizes intrastate allocation of unexpended SEOG fund balances carried over from the previous fiscal year, and to require the U.S. Office of Education to complete the reallocation of all such carry-over SEOG funds by December 15 of each succeeding year.

COLLEGE WORK-STUDY PROGRAM - CWS

(A) In view of the fact that it is difficult to pinpoint exactly the spending rate of the CWS Program, 10% of the funds appropriated to an institution for the CWS Program should be permitted to be carried over from one fiscal year to the next or be drawn from the subsequent fiscal year to take care of the present fiscal year's expenditures.

(B) In view of the fact that a number of individuals and organizations are recommending that the CWS Program be expanded to students without need, I would recommend that this concept not be supported unless there is assurance that all of those students with need will first receive adequate financial assistance.

NATIONAL DIRECT STUDENT LOAN PROGRAM - NDSL

(A) In view of the fact that the cost of postsecondary education is increasing, the undergraduate loan limits for the NDSL Program should be increased from $5,000 to $10,000 and the aggregate graduate/undergraduate amounts be increased from $10,000 to $20,000.

(B) In view of the fact that it is sometimes difficult to pursue students in default, I would recommend that the Commissioner of Education be permitted to provide institutions with relevant information on student borrowers.

GUARANTEED STUDENT LOAN PROGRAM

(A) The Guaranteed Student Loan Program legislation should be reviewed without major changes for a five-to-six year reauthorization period, so that (1) concentrated effort may be given to administrative improvements; (2) states and institutions may fully comprehend and adjust to the program changes enacted in 1976; and, (3) the program may be allowed to prove or disprove its ultimate worth in fulfilling its basic original mission of making loans generally and equally accessible to finance the expense of middle income students which cannot be covered by resources available through the other grant, work, and loan programs.

(B) I would like to suggest the following items be considered to "fine tune" the GSL Program. These would include:

(1) Increasing the GSL undergraduate maximum loan limit from $7,500 to $10,000 and the aggregate undergradate/graduate loan limit should be increased from $15,000 to $25,000.

(2) In view of the loan limits increased as outlined in (1), I would recommend that for students borrowing in excess of $10,000 from the GSL program should be given the option of a 15-year repayment period.

(3) In view of the fact that the maximum interest rate paid to GSL lenders has been at 12 percent, I would recommend that there not be a cap on the maximum average interest rate since the interest rate must reflect the existing money market if lenders are going to be willing to participate in the program.

ADMINISTRATIVE COSTS

(A) In view of the committment that private higher education has made and is presently making toward financial aid, I would recommend that Congress appropriate sufficient funds as necessary and follow through to official enactment, in order to provide administrative cost allowances for colleges and universities that participate in the Basic Educational Opportunity Grant and Guaranteed Student Loan Programs.

CONCLUSION

Members of the U.S. Congress have been entrusted with an enormous responsibility. A responsibility that can only be adequately undertaken by a select few people. The responsibility is even more enourmous when you look at the present problems that are facing our society today - inflation, gas shortages, rising costs, foreign affairs, etc. For me it is easy to say, "I am glad I am not in your shoes."

Members of Congress are bombarded with problems from all areas. Today we have examined a "good problem" - funding higher education. I trust that as you review funding priorities that higher education will be at the top of your list. I firmly believe that solutions to problems of today and of tomorrow can only be found if we continue to properly and sufficiently educate the "leaders of tomorrow." Your role in this entire process is vital at the present time.

Thank you for your time and consideration.

Respectfully submitted,

Gary R. Rohmann

Gary R. Rohmann
Director of Financial Aid
Mount Vernon Nazarene College

Mr. **Ford**. Thank you. Mr. James White, director of financial aid at Oberlin College.

STATEMENT OF JAMES W. WHITE, DIRECTOR OF FINANCIAL AID, OBERLIN COLLEGE

Mr. **White**. Thank you. You have my statement. I would like to point out several of the points that I have made in that statement to you. I do not believe that there is a need for major changes in the title IV programs. However, several minor changes could be made, which would make them more effective.

For example, I believe that each year during the next 5 years the maximum amount for a basic grant should be increased to a maximum of about $2,400.

I believe that the eligibility for a student to receive a basic grant should be extended to a full 5-year period. I do not have any recommendation to make for the college work-study program. Although it is an extremely difficult program to administer, it does seem to be working effectively.

I believe that a student's eligibility for supplemental educational opportunity grants should be extended for 5 years.

Finally, of course, Congress must guarantee there will be adequate funding for these programs, so that they can accomplish the objectives which Congress has set out for them. The most difficult concern and the most important concern for me as an aid officer is the problem of loans. It would be ideal to have a single loan program to replace the maze of seven Federal loan programs, but I realize that this is not possible.

In the best of all possible worlds, students should not have to borrow money to attend school. But with limited funds available, there will have to be some loan moneys available. I believe that the national direct student loan programs should have a cumulative loan limit of $10,000.

As another change, Congress should authorize the Department of Health, Education, and Welfare to provide institutions with names, addresses, and other relevant information concerning borrowers, including information from the Internal Revenue Service, to enhance the ability of institutions to fulfill loan collection responsibilities.

The changes Congress made in the guaranteed student loan program last October effected significant improvements. Again, as in the case of a national direct student loan program, I do believe that the cumulative loan limit should be increased to $10,000.

A second suggestion would be for the consolidation of student loans for a student. This could be accomplished through Sallie Mae and would prove a true convenience to students and to assist colleges in loan collections.

The suggestions that I have made about loans have applied only to undergraduate students. I want to assure the members of the committee that I am deeply concerned about the needs of the graduate students.

Many graduates from Oberlin go on for graduate work. Effective loan programs will give the students the opportunity to continue their studies and thus be better able to serve society.

Student financial aid programs enacted by Congress have helped literally thousands of students realize their dreams and fulfill their aspirations. Our country is a much better place because of the contributions these well-educated young people have made and will make in the future.

I commend the members of this subcommittee for their deep interest in this significant movement. I am most appreciative of the opportunity to have had a part in these deliberations. Thank you.

[Prepared testimony of Mr. White follows:]

TESTIMONY BY JAMES W. WHITE, DIRECTOR OF FINANCIAL AID, OBERLIN COLLEGE

The Higher Education Act, as amended in 1972 and again in 1976, provides a sound basis for a continuing partnership between the federal government and post-secondary education. The Act should be under continuous review to guarantee that the legislation is effectively and equitably serving needs of all of our people. When we are able to say that all of our citizens are guaranteed not only accessibility to post - secondary education but also, to the extent possible, a degree of choice, then we shall be able to say that we have a truly effective Higher Education Act.

The current Title IV programs provide the base for the financial aid program at Oberlin. I do not believe there is a need for major changes in the programs. Some minor revisions would help them better serve our students. I would recommend that the maximum amount of a Basic Grant should be increased each year to reflect changes in the Consumer Price Index. Increases of approximately $100 per year over the period of the next five years would help to accomplish this. I would also suggest that eligibility for Basic Grants should be extended to five years for all students as is now the case in the Ohio Instructional Grant Program. In the case of the Supplemental Educational Opportunity Grant program I would make but one suggestion. As is recommended for the Basic Grant program, eligibility should be extended to five years. I have no recommendations to make in regard to the College Work Study program. Although it is a most difficult program to administer, it does seem to be working effectively for our students.

The changes I have recommended are minimal. In addition to those changes, however, Congress must guarantee that there will be adequate funding for these programs so that they can accomplish their objectives.

The area of greatest concern to me in attempting to administer a financial aid program of nearly five million dollars, are the loan programs. In the best of all possible worlds, students should not have to borrow money to attend school. Grant funds are not available from public or institutional sources to make this possible. By utilizing current loan programs Oberlin College is able to meet the needs of approximately 1300 students. Without loan funds the number aided would be about 850 students. For the relatively high cost private institution such as Oberlin, loans are and will continue to be an integral component of the financial aid program. One problem in the field of the loan programs is their multiplicity. It would be ideal if there could be a single loan program to replace the current maze of seven federal student loan programs. This does not seem feasible at this time, however. I do have recommendations to improve current loan programs which I believe would make them more effective.

To improve the National Direct Student Loan program, the undergraduate cumulative loan limit should be increased from $5,000 to $10,000. When the current limits were established, Oberlin's tuition was $2,000. Today the tuition is $4,300 but the same limits are still in effect. Many of our students are now borrowing the maximum amount and then, when face with an emergency need for additional funds, are forced to go to an outside agency for a guaranteed student loan. Undergraduate student borrowing from more than one source is detrimental to the best interests of the student and the lender. Increasing the maximum limits would ease that problem. A second suggestion is that Congress should authorize the Department of Health, Education and Welfare to provide institutions with names, addresses, and other relevant information concerning borrowers. This should include information from the Internal Revenue Service. Such information would enhance the ability of institutions to fulfill their loan collection responsibilities.

The changes Congress made in the guaranteed student loan program last October effected significant improvements. At Oberlin there has been a startling increase in the number of students obtaining guaranteed loans. Generally these are students who are not eligible for any other type of assistance. The guaranteed loan program does serve a vital purpose. The continued existence of the program is crucial to the enrollment of many students at Oberlin. I offer two suggestions relative to the program. As in the case of the National Direct Student Loan Program, the cumulative loan limit for undergraduates should be increased to $10,000. Second, provision should be made for the consolidation of student loans for a borrower. This could be accomplished through Sallie Mae. Such a consolidation would be a convenience to students by simplifying loan repayments. It would also help in loan collection procedures.

The suggestions offered in regard to loan programs have involved only undergraduate students. I want to insure the members of the subcommittee that I am also deeply concerned about the needs of graduate students. An unusually large percentage of Oberlin students go on for graduate and professional study. A viable loan program is most important for them. We are in an era when it is fashionable to minimize the importance of study after the bachelor's degree. I personally believe that is wrong. Public service agencies; local, state, and federal governmental agencies - all could well make use of a cadre of such highly trained personnel. It is clear that there will not be grant money available for such study. Effective loan programs, however, could give many students the opportunity to continue their studies and thus be better able to serve society.

Student financial aid programs enacted by Congress have helped literally thousands of students realize their dreams and fulfill their aspirations. Our country is a much better place because of the contributions these well-educated young people have made.and will make in the future. I commend the members of this subcommittee for their deep interest in this significant movement. I am most appreciative of the opportunity to have had a part in these deliberations.

Mr. Ford. Thank you very much. Let me thank this panel for your brevity, but we just have to leave and, as always, it is just about the time that it gets really interesting. We have plenty of questions.

It is evident from some of the testimony that the informal way in which the proposal is now being discussed throughout the country is leading to some misunderstandings. I hope that we can use as evidence the misunderstanding expressed here today to persuade HEW that they have no more time to waste in making their proposals specific so that you, the experts, who deal directly with them, can respond very specifically to us and Mr. Ashbrook.

Mr. Ashbrook. Thanks, Bill. I want to add my appreciation and maybe a little apology.

I know, as a practical matter, it almost seems like a slight to allow an hour to such an august panel to present their views, and I would like to spend all afternoon asking questions, but as I said, when you draw a date out of the air and you don't know the legislative schedule, don't know what is ahead of us, it is difficult to cover everything in this short a time.

From those of you from Granville and Mt. Vernon, you will be reading about how inattentive I am in attending the votes in Congress. You multiply this by 20 days a year of having hearings, and you can see why we miss a few along the way. But there is no intention to slight by time.

The theory is one thing, but the practicality is something else. Quite often, when you only have two Members of Congress, you wonder if it is worth our time. But when you see the record and the way it is referred to, it virtually becomes sort of a viable for work in this area, not only this year, but maybe the next 5 or 10 years. And you recognize your contribution. It will be there and recognized.

With that, we thank you, and we are going to have to depart.

Mr. Ford. Thank you, John, and thank you for insisting on the hearings in Ohio. You couldn't have picked a better atmosphere than Oberlin. I am just very sorry that this is my first visit to Oberlin, which for many years has drawn students from my part of the country.

I have heard nothing but good things about the school, and we are happy to be able to be here. I wish I could stay for the demonstrations tomorrow. [Laughter.]

I haven't seen one for some time. I wish you all the best, and I hope that I will have an opportunity to come back again.

The meeting is now adjourned.

[At 12:30 p.m. the hearing was closed.]

[Material submitted for inclusion in the record follows:]

ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO

FACT FILE HIGHLIGHTS

1978-1979

Enrollments

This year nearly 449,000 students are enrolled in postsecondary education in Ohio, so that the state ranks seventh in the nation. 100,000 of them attend private institutions -- approximately 22% of the total.

The 42 members of AICUO this last fall enrolled 82,901 students, or 82.9% of those in the private sector. Other postsecondary institutions within the private sector include those with highly specialized training objectives, some proprietary schools among them.

54,330 students in AICUO member institutions are full-time undergraduates. Of this number, 28,752 are men and 25,578 are women. Two thirds are residents of Ohio.

First time, full-time freshmen in AICUO member institutions last fall numbered 15,225. Of this number, 10,073 are Ohio residents, from all 88 counties. Cuyahoga County produced the greatest number (2,115), followed by Franklin (1,556), Hamilton (880), and Montgomery (524).

Enrollment trends since fall 1975 are as follows:

Full-time undergraduate	- 1%
Full-time graduate/first professional	+ 6%
Part-time undergraduate	+12%
Part-time graduate/first professional	-10%
Unclassified and other	+57%
Total headcount	+ 2%
Full-time equivalent	+ 1%

At the latest reliable count (fall 1975), more than 43,000 students came from other states, territories, and foreign countries to Ohio's colleges and universities (nearly one third fewer than the 61,000 who came in 1968). 22,200 in 1975 were in AICUO member institutions, or 52% of the total in-migration. The states providing the largest numbers were Pennsylvania, New York, New Jersey, Kentucky, Illinois, Indiana, and Michigan, in that order.

This academic year, some 1,500 students from Pennsylvania have brought more than $900,000 of their state grants to Ohio colleges and universities, while 150 Ohio students took $110,000 of Ohio Instructional Grants to Pennsylvania institutions. An agreement establishing reciprocity of student financial aid across state lines was signed with Pennsylvania in 1978.

Operations

Average charges for attendance at AICUO member institutions this year are as follows:

Tuition and fees	$3,000.73
Board and room	1,486.6[illegible]
Total	4,621.44

Total charges range from a high of $6,338 to a low of $3,310.

Students attending AICUO member institutions pay a median two-thirds of their educational costs. The remaining third must be financed through institutional resources.

The tuition gap this year stands at $2,052.07. That is, tuition and fees at 12 public universities average $948.66, while the rate at AICUO member institutions, as indicated above, is $3,000.73. In the last 14 years, the gap has increased by $1,559.30, or 316%.

AICUO member institutions employ some 15,000 people. About 5,000 of this number are faculty members, while 2,500 are professional administrators. Salaries for full-time faculty members this academic year will exceed $72 million. The average student-faculty ratio this academic year at AICUO member institutions is 14.7:1.

Current operating budgets in fiscal 1978 aggregated more than $420 million, up some 7% over 1977.

The aggregate of endowments (market values) in fiscal 1978 was in excess of $369 million. Income from endowment which was applied to current operations exceeded $25 million.

Building replacement values in fiscal 1978 were in excess of $1.3 billion.

Auxiliary operations (dormitories, dining facilities, book stores, etc.) in fiscal 1978 totalled nearly $75 million.

There are more than seven million volumes in the libraries of AICUO member institutions. Library operating budgets total more than $10 million per year.

Private gifts and grants for current operations exceeded $44 million in fiscal 1978. This is more than double the amount reported in 1974.

Financial aid

Financial aid to students continues to apply the greatest pressure on institutional budgets. AICUO member institutions had expenses for this purpose in fiscal 1978 of more than $39 million, or more than 9% of all operating budget expenditures.

In the fall of 1978, 9,251 Ohio Instructional Grants were awarded to students attending AICUO member institutions for a total of $7,676,412. Average grant: $829.79. The numbers for all of 1977-78 were 11,183 awards totalling $9,818,386, with the average grant $878. The totals have been decreasing since the tables were last improved in 1974. Last year, 21.2% of all OIG students attended independent institutions, utilizing 42% of the total funds available.

16.6% of all black OIG recipients attended private institutions in 1977-78. They constituted 24% of all OIG recipients attending such institutions.

In 1977-78, of total OIG recipients of 52,814 who used their grants, 31,259 were female (59.2%). In private institutions, 5,908 recipients were female (52.8%).

For its first year of operation, there were 1,000 awards last fall under the Ohio Academic Scholarship program. According to the Ohio Board of Regents, 278 (27.8%) of all recipients chose to attend private institutions.

Alumni

AICUO member institutions last year awarded 15,877 degrees at the baccalaureate level and above. This is approximately 28% of all such degrees awarded by AICUO members and the 12 state-assisted universities, even though AICUO members enrolled only 18% of all students in post-secondary education.

According to the State Department of Education, 25% of those teaching in the state's elementary and secondary schools are graduates of private institutions.

Of the membership of the 113th General Assembly, 17 Senators (51%) and 56 Representatives (56%) are known to have attended private colleges and universities, as did 21 members (84%) of Ohio's Congressional delegation.

For Further Information

Should anyone have questions about the private sector in general or AICUO member institutions in particular, please call Frank Duddy or Dick Shoemaker at 614-228-2196 or -4197. Or feel free to come to the office, Suite 711 at 50 West Broad Street (the LeVeque Tower) in Columbus (43215).

INTRODUCING THE

ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO

The Association of Independent Colleges and Universities of Ohio (AICUO) is the public relations and legislative liaison organization of 42 privately supported institutions within the State. These institutions are non-profit, four-year undergraduate and graduate institutions, excluding theological schools, accredited by the North Central Association, certificated by the Ohio Board of Regents, and holding membership in the Ohio College Association.

AICUO should not be confused with the Ohio Foundation of Independent Colleges (OFIC), a joint fund-raising organization comprised of 34 colleges and universities, all of whom are also members of AICUO.

AICUO should not be confused either with the Ohio College Association (OCA), which is made up of more than 70 institutions, public and private, throughout the State. OCA consists of many sections, which are organized by academic disciplines in the main--for sociologists, historians, economists, linguists, mathematicians, and so on. There is also a section for presidents.

AICUO was organized in 1969 in response to the need to represent the interests of the member institutions to the people of Ohio and to the various organs of government, including the General Assembly. It is further to promote and advance the interests of the Ohio system of higher education, with special concern for the dual (public and private) nature of that system, its quality, freedom, and responsibility to serve the educational and cultural needs of the state, nation, and world.

AICUO pursues the interests of the independent sector and the dual system at the federal level through membership in the National Association of Independent Colleges and Universities (NAICU), which has headquarters in Washington, D. C.

There follows a separate page introducing the A.I.C.U.O. Research Foundation.

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ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO

50 West Broad Street, Suite 711, Columbus, Ohio 43215

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Yellow Springs, Ohio 45387
Dr. David G. Barry
Provost

ASHLAND COLLEGE
Ashland, Ohio 44805
Dr. Arthur L. Schultz
President

BALDWIN-WALLACE COLLEGE
Berea, Ohio 44017
Dr. Alfred B. Bonds, Jr.
President

BLUFFTON COLLEGE
Bluffton, Ohio 45817
Dr. Elmer Neufeld
President

CAPITAL UNIVERSITY
Columbus, Ohio 43209
Dr. Thomas H. Langevin
President

CASE WESTERN RESERVE UNIVERSITY
Cleveland, Ohio 44106
Dr. Louis A. Toepfer
President

CEDARVILLE COLLEGE
Cedarville, Ohio 45314
Dr. Paul Dixon
President

COLLEGE OF MOUNT ST. JOSEPH
Mount St. Joseph, Ohio 45051
Sister Jean Patrice Harrington, S.C.
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Rev. Michael Scanlan, T.O.R.
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Wooster, Ohio 44691
Dr. Henry J. Copeland
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47 North Washington Avenue
Columbus, Ohio 43215
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Defiance, Ohio 43512
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Dr. Robert C. Good
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Cleveland, Ohio 44114
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Cincinnati, Ohio 45206
Sister Margaret Anne Molitor, R.S.M.
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Findlay, Ohio 45840
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Columbus, Ohio 43215
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Hiram, Ohio 44234
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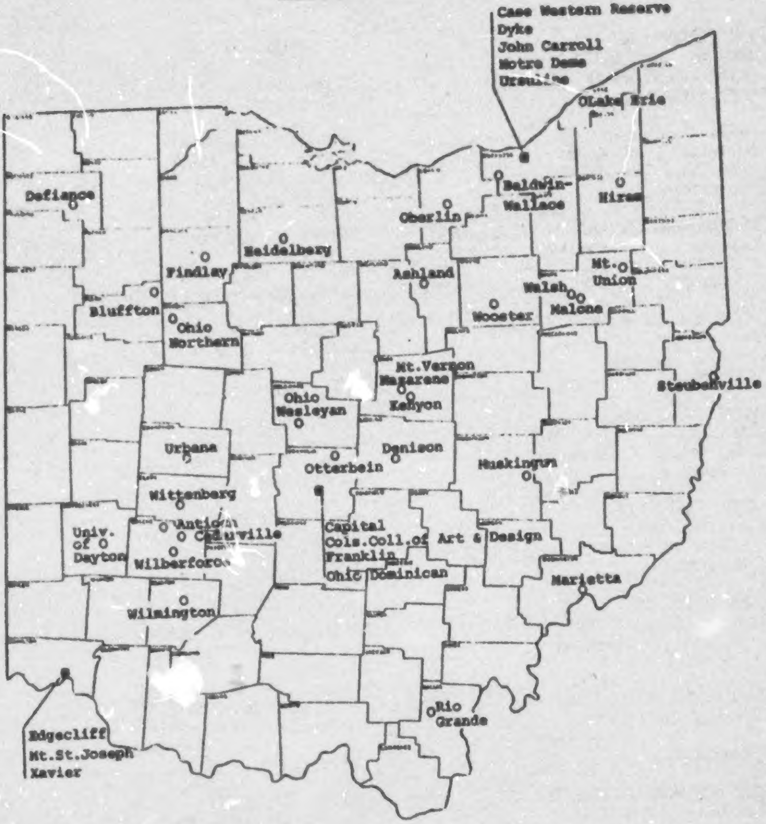
ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO

MEMBERSHIP


Case Western Reserve
Dyke
John Carroll
Notre Dame
Ursuline
Lake Erie
Defiance
Baldwin-Wallace
Hiram
Oberlin
Heidelberg
Findlay
Ashland
Mt. Union
Walsh
Malone
Bluffton
Wooster
Ohio Northern
Mt. Vernon Nazarene
Steubenville
Ohio Wesleyan
Kenyon
Urbana
Denison
Otterbein
Muskingum
Wittenberg
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Cedarville
Capital
Cols. Coll. of Art & Design
Franklin
Ohio Dominican
Univ. of Dayton
Wilberforce
Marietta
Wilmington
Rio Grande
Edgecliff
Mt. St. Joseph
Xavier

ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO

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ADDITIONAL INFORMATION ABOUT THE

ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO

The general role of the Association of Independent Colleges and Universities of Ohio is to advocate and assure the place and service of the private sector in a dual system of higher education best suited to supply the needs of the people of Ohio, and of such additional persons as may come to Ohio from other states or countries for college and university level education. In fulfilling its responsibilities, the Association also has broad responsibilities in the general field of public relations.

I. ORGANIZATION AND STRUCTURE

The Association is governed by a Board of Directors, comprised of the chief executive officer and one other representative (usually a trustee) from each of the member institutions. The Board elects a Chairman, a Vice Chairman, a Secretary, and a Treasurer, together with six other members who constitute the Executive Committee. Administration is the general responsibility of an appointed staff, presently consisting of a President, Vice President, and an office secretary.

In addition to the Executive Committee, the Association has a Legislative Action Committee, presently consisting of 24 members, constituting a network thrown across the state to assure grassroots contacts on specific legislative matters. The state is divided into five regions to facilitate such contacts. All have their own coordinators. A Council of 15 and a Committee of 100, comprised of leading citizens committed to the welfare of the independent sector, also provide guidance and support. There is a Policy Planning Committee, whose responsibility it is to formulate statements of position for approval by the Executive Committee and Board of Directors. There is a Financial Aid Officers' Advisory Committee, consisting of financial aid administrators from a selection of member campuses. And there is an Institutional Research Committee, to coordinate the providing of data used in Association reports. Other committees are also appointed from time to time, as indicated in following paragraphs.

II. ACTIVITIES WITHIN THE ASSOCIATION MEMBERSHIP

The Association coordinates the efforts of numerous types of administrators and faculty members on the member campuses, including development officers and institutional planners. Contact is maintained with directors of alumni affairs, business officers, coordinators of energy conservation, and public relations administrators and their state organizations, as is true of admissions and financial aid officers. There has been contact also with librarians, chiefly in behalf of the Ohio College Library Center. Informally, the Association office maintains a file of job applicants for the benefit of member institutions.

A regular flow of information goes out from the Association office to all the foregoing people and others, usually via the Presidents. This information is of many types, including digested financial and enrollment statistics, legislative status reports, feature pieces, and general information which might not otherwise be available to the member institutions.

As representing a relatively new and still evolving organization, the central office's responsibilities have broadened rather rapidly since the Association was founded in 1969. As is true of ensuing paragraphs, these areas of activity continue to change, generally resulting in the addition of new fields of service. Except for particular attention to specific legislative measures, for instance, it is rare that the books are closed on any single sphere of interest.

III. ADVOCACY OF THE PRIVATE SECTOR OUTSIDE THE ASSOCIATION MEMBERSHIP

The Association's responsibilities in behalf of the member institutions are best summarized at three levels: state, regional, and national.

At the state level, close contact is maintained with the leadership and membership of the General Assembly, with the Governor and key members of his staff, and with the Chancellor and staff of the Ohio Board of Regents. In this connection, it is notable that the Chancellor has an Advisory Committee consisting of five private college and university presidents, meeting periodically to inform the Chancellor and discuss problems of mutual interest with him. Contact is also maintained with such organizations as the 1202 State Commission, the State Board of School and College Registration, the War Orphans Scholarship Commission, and Regents' advisory committees. The Ohio Student Loan Commission and Higher Education Facilities Commission should also be mentioned. So should the State Board of Education. The Superintendent of Public Instruction also has an Advisory Committee, consisting of a selection of presidents and heads of departments of education from among those independent institutions involved in the preparation of teachers.

From time to time special service is necessary, and liaison responsibilities are undertaken. Such led to the aforementioned Superintendent's Advisory Committee. Another example is representation on Ohio's Energy Emergency Management Committee, at the invitation of the State's Energy and Resource Development Agency. Contact is also maintained with the public universities and their branches, both directly and via the Inter-University Council. The same is true through appropriate members of the staff of the Ohio Board of Regents with community junior and technical colleges and proprietary institutions, including in the latter group and particularly the Ohio Council of Private Colleges and Schools.

Close liaison is also maintained with other groups having primary interest in higher education, including the Ohio College Association, the Ohio Foundation of Independent Colleges, Independent College Alumni Associates of Ohio, and consortia of numerous types throughout the state. Other types of groups with which we work from time to time would include the Ohio Citizens' Council on Health and Welfare and the Ohio Catholic Conference, usually in behalf of specific pieces of legislation or involving such regulatory agencies as the Public Utilities Commission of Ohio.

Finally, the Association facilitates and maintains close contact with the mass media. These are given both general and specific information, including our annual Fact Files, Behind the News releases, and others bearing on single issues. Radio, television, and newspaper contacts have notably increased in number; and the Association office is asked more and more frequently for background information and commentary.

At the regional level, the Association is involved with sister organizations in the contiguous states and others up into New England and out into the Middle West. Among the principal thrusts at this writing are reciprocity and portability of student financial aid across state lines, and the possible development of a Midwestern Education Compact.

At the national level, the Association is involved with both the executive and legislative arms of government. Our national representative is the National Association of Independent Colleges and Universities, which coordinates the activities of 40 state associations, whose staff executives have their own organization, in dealings with Congress, the U. S. Office of Education, and others. AICUO's President has been a member of the NAICU Board. Amicus briefs have been filed by NAICU with the federal courts, including the Supreme Court, in connection with suits filed directly or brought into the system from various states. Most of these have to do with the constitutionality of student and institutional aid. The National Association of Independent Colleges and Universities has a legislative network and a data bank and research capability of national scope and significance. NAICU's secretariat coordinates the efforts of numerous special interest groups, with or without headquarters in Washington, including church-related, small, specialized, and regional clusters of institutions.

AICUO is participating in a number of special projects, including the information gathering and management planning system originally established by our sister association in California and now known as the SPPIM project, described under the A.I.C.U.O. Research Foundation.

We are also concerned with other national organizations having primary interest in higher education, including the Association of American Colleges, the American Council on Education, and the Committee for Full Funding of Higher Education Programs.

IV. CONCLUSION

Notwithstanding the number and diversity of activities outlined above, the Association welcomes opportunities for further service, secure in the conviction that the independent colleges and universities of America have contributed in many ways of vital importance to our democratic way of life, and equally convinced that the private sector will continue to be both necessary and viable in the future.

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THE A.I.C.U.O. RESEARCH FOUNDATION

The A.I.C.U.O. Research Foundation was incorporated in 1976 to operate exclusively for charitable, educational, scientific, and literary purposes within the meaning of Section 501 (c) (3) of the U.S. Internal Revenue Code of 1954, as amended. Consistent therewith, the Foundation is authorized

(a) to investigate and foster investigation of all matters pertaining to the most effective and efficient operation of independent colleges and universities in the State of Ohio and elsewhere, so that they may more effectively pursue excellence; and

(b) to conduct, coordinate, sponsor, or assist investigation in any field of science or learning and to this end to cooperate with universities, colleges, individuals, corporations, associations, governmental bodies, and other agencies.

With initial financial support from the George Gund Foundation of Cleveland, the A.I.C.U.O. Research Foundation has made possible the participation of all AICUO member institutions in the Statewide Policy and Planning Information Network (SPPIN) project. This project enables the Association to assess the strengths and weaknesses of the private sector in Ohio as compared and contrasted with situations in other states. It enables institutional researchers and planners to perceive trends, both short- and long-term. And it enables each member institution to compare and contrast its present situation and future prospects with those of other colleges and universities of like size and type.

Individual and corporate gifts to the Research Foundation are tax deductible under federal law.

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AICUO MEMBER INSTITUTIONS
OPENING FALL ENROLLMENTS, 1976, 1977, and 1978
(Source: HEGIS XI, XII, & XIII U.S.O.E. Form 2300-2.3)

INSTITUTION[1]	Full-Time Undergraduate[2]			Full-Time Graduate and 1st Prof'l.			Part-Time Undergraduate[2]			Part-Time Graduate and 1st Prof'l.			Unclassified and Other			Total Headcount			Full-Time Equivalent		
	1976	1977	1978	1976	1977	1978	1976	1977	1978	1976	1977	1978	1976	1977	1978	1976	1977	1978	1976	1977	1978
Antioch College	1170	1049	1066	14					23				49	31	27	1233	1080	1116	1207	1067	1088
Ashland College	1716	1670	1601	206	207	316		150		76	180	141	137	21	166	2136	2208	2224	1996	1993	2019
Baldwin-Wallace College	1909	1825	1871				597	681	518	499	471	686	133	176	267	3218	3053	3244	2414	2421	2343
Bluffton College	566	568	557				14	29	55				19	44	23	599	641	635	582	607	592
Capital University	1619	1613	1496	431	461	487	108	92	111	315	333	349	146	189	156	2619	2688	2599	2159	2172	2207
Case Western Reserve U.	2664	2761	2683	3696	3480	3463	260	99	256	1498	1483	1442		175		7908	8108	7844	6743	6864	6712
Cedarville College	1160	1197	1099				29	25	30				32	34	45	1221	1256	1174	1175	1224	1158
Coll.of Mt. St. Joseph	756	769	802				54	210	278				136	119	275	946	1098	1355	834	927	1038
Coll.of Steubenville	535	554	531				130	160	169				172	146	168	837	860	858	670	687	679
Coll.of Wooster	1827	1808	1824										9		136	1836	1808	1960	1836	1808	1870
Cols.Coll.of Art & Des.		636	645					123	152					133	170		892	957		721	752
Defiance College	666	644	622				131	185	145						18	796	829	705	709	701	679
Denison University	2139	2084	2026				4	9	9				37	23	9	2180	2116	2044	2147	2096	2036
Dyke College	843	703	684				374	476	423				379	464	369	1396	1643	1446	823	997	900
Edgecliff College	612	559	488				161	166	158				198	196	222	971	921	868	783	716	668
Findlay College	685	692	637				108	189	236				78	107	60	931	988	926	767	788	759
Franklin University		1678	1471					2501	2521					10	452		4189	4444		2939	2938
Heidelberg College	933	875	857				59						2	58	59	994	933	916	950	892	875
Hiram College	1090	1050	991				26	143	144				23			1139	1193	1135	1110	1098	1039
John Carroll University	2389	2332	2427	29	25	44	429	437	488	661	663	666	203	180	225	3711	3637	3850	2924	2867	3066
Kenyon College	1381	1456	1461				2						17	11	12	1400	1467	1473	1389	1459	1465
Lake Erie College		578	590					336	342		61	61		22	93		987	1086		761	890
Malone College	741	700	645				88	82	94				67	56	40	896	837	779	815	764	710
Marietta College	1494	1401	1336				27	34	60	12	16	12	175	215	168	1708	1666	1575	1569	1496	1417
Mount Union College	1138	1063	1015				4	11	10				20	12	16	1162	1086	1041	1147	1076	1031
Mt.Vernon Nazarene Coll.	816	851	831				28	[illegible]	30				35	59	79	879	935	940	846	882	871
Muskingum College	953	966	913				11	8					8	10	25	972	984	938	[illegible]	972	921
Notre Dame College	293	287	315				125	80	100				99	127	104	517	494	519	375	362	379
Oberlin College	2722	2650	2618			1	66	100	107	18	20	6	58	61	47	2864	2832	2779	2775	2716	2677
Ohio Dominican College	662	622	584				110	114	101				197	174	175	969	910	860	777	740	703
Ohio Northern Univ.	2140	2135	2053	513	522	516	24	30	34	12	7	10	25	36	30	2714	2729	2651	2677	2684	2599
Ohio Wesleyan Univ.	2110	2257	2239				167	64	47							2277	2321	2286	2166	2279	2255
Otterbein College	1148	1209	1142				15	140	112				267	245	270	1430	1594	1524	1371	1429	1368
Rio Grande College	699	802	777				132	283	117				204		207	1035	1085	1101	842	970	891
University of Dayton	6200	6749	6982	784	1086	1041	497	666	649	531	1005	1122	268	1124	1122	7280	9620	9916	6456	8195	8417
Urbana College	367	455	520				41	111	190				75			483	566	710	466	532	584
Ursuline College	515	442	385				290	44	32				28	320	461	833	806	838	661	615	607
Walsh College	409	398	416				27	78	132				189	134	143	625	611	690	486	452	479
Wilberforce University	1107	1123	1026													1107	1123	1026	1107	1123	1026
Wilmington College	789	818	819				14	13	6				50	26	13	853	857	838	810	835	825
Wittenberg University	2243	2246	2263	96	75	9	15	13	10				327	310	284	2681	2644	2546	2463	2412	2354
Xavier University	1940	2015	2114	308	283	245	522	835	617	3377	3330	3315	286	30	94	6432	6493	6385	3787	3816	3774
Totals	52025	56290	54330	5877	3140	6122	4749	8632	8509	6989	7649	7720	4147	5076	8220	73787	82787	82901	63756	70154	68669

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1 Three new member institutions added in 1977
2 Not including unclassified students

BACHELOR'S DEGREES IN SELECTED FIELDS CONFERRED BY AICUO MEMBER INSTITUTIONS, 1975-76, 1976-77, and 1977-78[1]

FED
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FIELD	1975-1976	1976-1977	1977-1978
Agriculture & Natural Resources	14	15	11
Architecture & Environmental Design	6	11	15
Area Studies	36	36	40
Biological Sciences	782	753	706
Business & Management[2]	1,672	2,213	2,324
Communications[3]	296	234	306
Computer & Information Sciences	28	39	37
Education	1,963	1,664	1,488
Engineering	301	382	451
Fine & Applied Arts	762	802	807
Foreign Languages	259	241	206
Health Professions[4]	534	611	601
Home Economics	145	144	144
Law	0	5	9
Letters	1,042	950	825
Mathematics	261	251	232
Physical Sciences	474	467	504
Psychology	796	690	695
Public Affairs & Services	263	293	244
Social Sciences	1,985	1,856	1,806
(Economics[5]	306	346	288)
Theology	44	38	57
Interdisciplinary Studies	438	350	304
TOTALS	12,101	12,081	11,812[6]
(Institutions Reporting	39	42	42)

[1] Source: HEGIS XI, XII, and XIII reports (OE FORM 2300-2.1).
[2] Includes accounting.
[3] Includes journalism and radio/television.
[4] Includes nursing, occupational therapy, pharmacy, and technologies.
[5] Figures also included in totals for social sciences.
[6] Not including 982 degrees and certificates for completion of programs requiring less than four years, as compared with 274 in 1975-76.

Note: 53.4% of all degrees were awarded to men in 1977-78.

GRADUATE AND FIRST PROFESSIONAL DEGREES IN SELECTED FIELDS CONFERRED BY AICUO MEMBER INSTITUTIONS, 1975-76, 1976-77, and 1977-78[1]

FED
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FIELD	1975-1976			1976-1977			1977-1978		
	Master's	Doctor's	First Prof'l.[2]	Master's	Doctor's	First Prof'l.	Master's	Doctor's	First Prof'l.
Area Studies		4		5	4		5	1	
Biological Sciences	21	19		31	14		21	17	
Business & Management	881	19		924	12		869	7	
Communications	7			10			1		
Computer & Information Sciences	26	4		21	3		15	2	
Dentistry			115			95			92
Education	1,038	9		1,031	14		1,094	23	
Engineering	102	24		126	27		140	27	
Fine & Applied Arts	73	5		37	9		55	7	
Foreign Languages	4	5		8	9		8	1	
Health Professions	74	3		110	3		110	2	
Home Economics	34	1		44			35		
Law			521			612			635
Letters	52	10		79	6		63	7	
Library Science	125	7		143	9		94	8	
Mathematics	14	5		16	6		12	2	
Medicine			143			143			138
Physical Sciences	62	25		48	25		41	27	
Psychology	65	9		37	20		59	19	
Public Affairs & Services[3]	220	7		249	9		236	3	
Social Sciences	46	22		87	17		65	15	
(Economics[4]		2		11	1		6	6)	
Theology	7	3	52	30	9	13	5		74
Interdisciplinary Studies	10			17			24		
TOTALS	2,827	182	831	3,084	197	863	2,958	168	939

1 Source: HEGIS XI, XII, and XIII reports (OE Form 2300-2.1)

2 A first professional degree is one which 1) signifies completion of the academic requirements to begin practice in the profession; 2) is based on a program requiring at least two years of college prior to entrance; and 3) requires a total of at least six years of college work to complete the degree program, including prior required college work plus the length of the professional curriculum itself.

3 Includes non-clinical social work.

4 Figures also included in totals for social sciences.

Note: 82.2% of all first professional degrees in 1977-78 were awarded to men.

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ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO

AGGREGATES OF INSTITUTIONAL FINANCES FOR FISCAL YEAR ENDING 1978*

(from HEGIS XIII Report Form 2300-4)

CURRENT FUNDS REVENUES	
Tuition and Fees	$ 199,179,024
Government Appropriations	10,506,092*
Government Grants & Contracts	52,569,100*
Private Gifts, Grants, & Contracts	44,007,132
Endowment Income	25,259,172*
Sales & Services of Educational Activities	766,794*
Sales & Services of Auxiliary Enterprises	74,775,136*
Other Sources	10,987,216*
Total Current Funds Revenues#	$ 420,681,156
CURRENT FUNDS EXPENDITURES	
Instruction, Research, & Public Service	$ 164,183,748
Academic Support	32,570,271*
Student Services	23,082,027
Institutional Support	42,759,014
Plant Maintenance & Operation	35,626,660
Scholarships & Fellowships	39,150,215
Fund Transfers	4,878,909*
Auxiliary Enterprises	75,239,635
Total Current Funds Expenditures#	$ 415,623,981
BUILDING REPLACEMENT VALUE	$1,304,779,571
PLANT DEBT	193,382,053
MARKET VALUE ENDOWMENTS	369,137,225*

* The Association had 41 member institutions reporting in fiscal 1978. Where fewer than that number of colleges and universities provided information for entries in this tabulation, either because items were not applicable or because the data were not available, such entries are indicated by asterisks (*).

# Columns will not add because of the omission of items of smaller amounts not experienced by the majority of member institutions.

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ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO

AVERAGES OF INSTITUTIONAL FINANCES FOR FISCAL YEAR ENDING 1978[a]

(from HEGIS XIII Report Form 2300-4)

	Under 1,000 Full-Time Undergraduate Enrollment (N=21)[b]	1,000-2,000 Full-Time Undergraduate Enrollment (N=11)[b]	Over 2,000 Full-Time Undergraduate Enrollment (N=9)[b]
CURRENT FUNDS REVENUES			
Tuition and Fees	$1,979,760	$4,952,264	$11,458,796
Government Appropriations	598,457^{2}	1,452,677^{2}	3,201,912^{2}
Government Grants & Contracts	230,625^{19}	283,646^{10}	5,668,845^{8}
Private Gifts, Grants, & Contracts	512,516	665,179	2,880,815
Endowment Income	113,754^{18}	367,347^{10}	2,170,902
Sales & Services of Educational Activities	55,903^{4}	90,615^{4}	60,241^{3}
Sales & Services of Auxiliary Enterprises	776,860^{20}	2,137,514	3,969,476
Other Sources	112,715^{18}	238,188^{9}	757,185
Total Current Funds Revenues	$3,753,373	$8,980,949	$27,007,765
CURRENT FUNDS EXPENDITURES			
Instruction, Research, & Public Service	$1,122,122	$2,765,367	$12,244,460
Academic Support	219,278	700,508^{10}	2,328,927
Student Services	252,664	658,964	1,169,720
Institutional Support	565,154	900,299	2,331,944
Plant Maintenance & Operation	342,794	682,067	2,325,028
Scholarships & Fellowships	442,155	1,072,049	2,008,046
Fund Transfers	58,939^{19}	161,894	247,279^{8}
Auxiliary Enterprises	763,030	2,126,541	3,980,451
Total Current Funds Expenditures	$3,761,478	$8,832,501	$26,608,382
BUILDING REPLACEMENT VALUE	$12,749,146	$28,148,318	$80,824,001
PLANT DEBT	2,727,145	4,799,527	9,257,467
MARKET VALUE OF ENDOWMENT	2,098,692^{20}	5,881,628	29,151,720

[a] Columns will not add because of omission of items of lesser amount not experienced by all member institutions.

[b] Where entries do not apply to all institutions in a group (N), the actual numbers of institutions reporting such entries are shown by superscript numerals.

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ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO
50 West Broad Street, Suite 711, Columbus, Ohio 43215

TUITION, FEES, BOARD AND ROOM CHARGES AT MEMBER INSTITUTIONS, 1978-79[1]

	HIGH	AVERAGE	LOW
Tuition and Fees[2]	$4,483.	$3,000.73	$1,380.
Board and Room[3]	1,970.	1,486.68	1,230.
Total Charges[4]	6,338.	4,621.44	3,310.

[1] Source: AICUO annual update questionnaire, fall 1978

[2] 40 institutions reporting

[3] 37 institutions reporting

[4] 39 institutions reporting

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ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO
50 West Broad Street, Suite 711, Columbus, Ohio 43215

AVERAGE TUITION AND FEE RATES AT OHIO COLLEGES AND UNIVERSITIES, 1965-66 TO 1978-79, INCLUSIVE[1]

ACADEMIC YEAR	PUBLIC UNIVERSITIES[2]	PRIVATE COLLEGES[3]	TUITION GAP
1965-66	$573.30	$1,066.07	$ 492.77
1966-67	558.63	1,230.75	672.12
1967-68	551.27	1,346.41	795.14
1968-69	505.83	1,470.56	964.73
1969-70	588.50	1,583.97	995.47
1970-71	620.75	1,729.00	1,108.25
1971-72	707.50	1,883.12	1,175.62
1972-73	744.75	2,013.90	1,269.15
1973-74	751.50	2,116.72	1,365.22
1974-75	762.25	2,225.46	1,463.21
1975-76	783.25	2,402.57	1,619.32
1976-77	841.75	2,578.55	1,736.80
1977-78	885.00	2,737.95	1,852.95
1978-79	948.66	3,000.73	2,052.07

Over the 14 year period, public university tuition increased $375.36 (65%).
Over the 14 year period, private college and university tuition increased $1,934.66 (181%).
Over the 14 year period, the tuition gap increased $1,559.30 (316%).

[1] Sources: Annual Reports on College Costs, compiled by the East Ohio Gas Company; the Ohio Board of Regents; and this Association.

[2] Number increases from 10 to 12 institutions over the first 12 years. Out-of-state and other surcharges not included.

[3] And universities, 42 currently members of this Association, except two reporting only single figure including tuition, fees, board, and room.

ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO
50 West Broad Street, Suite 711, Columbus, Ohio 43215

PUBLIC INVESTMENT
in
PRIVATE COLLEGES AND UNIVERSITIES

The following papers present the philosophic and programmatic positions of the Association of Independent Colleges and Universities of Ohio. They have been developed over a period of time. The first was written in December of 1973 for the Finance Committee of the Citizens' Task Force on Higher Education, appointed earlier that same year by the Ohio Board of Regents. Presented here in condensed form, this paper like the second had roots in an Association resolution of September, 1972.

The second (implementation) paper dates from April, 1974. Its antecedents include a policy statement developed and approved by the Ohio College Association in the spring of 1973 and a presentation before the Citizens' Task Force in March of 1974. Further refinements came when the AICUO Executive and Policy Planning Committees considered the final report of the Task Force, and these were presented at a special presidents' meeting of OCA in May, 1974. Program elements were discussed at length, and these were formulated at the annual meeting of AICUO in September of 1974.

The Association's original legislative agenda, adopted in 1974, included six points:

1) Further improvement of the Ohio Instructional Grant program;
2) Establishment of "following grants," as a form of tuition equalization, to go with all Ohio students to the Ohio private institutions they choose to attend;
3) Establishment of a state honor scholarship program with awards based on academic achievement, high school grade-point average, and competitive examination;
4) Reciprocity of student financial aid across state lines;
5) Funding of the Regents' proposal for selective innovation and system improvement grants, for which private institutions would compete on equal footing with the public; and
6) Passage of the Uniform Management of Institutional Funds Act, assuring greater freedom for the professional management of endowments.

The Uniform Management of Institutional Funds Act became Ohio law in 1975. Reciprocity of student financial aid among Ohio and contiguous states and the honor or academic scholarship program were enacted in 1977. If all these were modified somewhat in the process of deliberation and passage, they have nevertheless represented the attainment of major objectives. The Association continues to evaluate those additional thrusts which will assure the health, strength, and service of the private sector of Ohio's dual system of higher education.

The Association of Independent Colleges and Universities of Ohio endorsed the policy statements on private higher education included in the 1976 revision of the Master Plan.

For further information, please contact the AICUO office.

Rev. February 1979

PUBLIC INVESTMENT
in
PRIVATE COLLEGES AND UNIVERSITIES

All of higher education is a public trust. The integrity of higher learning signals a free and progressive society founded upon democratic principles. As James Madison wrote in 1787, "A diffusion of knowledge is the only guardian of true liberty."

The argument for public investment in higher education is equally the argument for public investment in private colleges and universities. It is generally agreed that higher education produces two types of benefits: private and social. The private are those accruing directly to the individual as a result of that person's education, including a higher income, a more satisfying job, greater discrimination as a consumer, greater ability to allocate time as well as money, and a lifetime enhanced by cultural and intellectual experiences. The social benefits are those which accrue to society as a result of a better educated population. These include greater economic growth based on the general advancement of knowledge and a more sophisticated labor force; greater political effectiveness in a democratic society based on a stronger grasp of principles, historical perspective, and a more responsibile citizenry; greater social effectiveness through moral stability and better understanding and mutual tolerance among individuals and groups; more effective preservation and enhancement of the cultural heritage; greater ability of individuals and groups to accept and adjust to rapid change; and the greater potential contribution of educated parents to the welfare of their children.

There has also been general agreement historically that individuals and society should share the costs of higher education. Public investment (i.e., by federal,state, and local governments) should cover at a minimum a proportion of those costs equal to the proportion of social benefits derived. The precise numerical size of that proportion is a matter of public policy and is being debated currently. In any case, it must be recognized that, as social benefits are generated by the educational function (as distinct from the public service and research functions) of institutions of higher learning, such benefits are generated as effectively by private colleges and universities as by public institutions. Therefore, as the case is made for public investment in public institutions of higher education, to meet social costs, the case is simultaneously and persuasively made for public investment in private colleges and universities.

The educational task before us requires the mobilization and effective use of every resource, including the independent colleges and universities throughout Ohio. They serve the public interest and promote the general welfare of the citizens of the state in a highly significant way. A statement on page 3 of the MASTER PLAN FOR STATE POLICY IN HIGHER EDUCATION, published by the Ohio Board of Regents in 1966, recognizes this contribution: "Ohio is fortunate in having many colleges and universities functioning under private sponsorship. Although these institutions do not operate under the authority of the Ohio Board of Regents, it should be public policy and should be recognized as being in the public interest to strengthen and to assist them in appropriate ways."

The private sector saves the taxpayers of Ohio vast sums of money and is itself a major industry. Private institutions enroll some 100,000 students, many of whom would otherwise have to be educated at huge cost to the public. These students are under the instruction of more than 7,000 faculty members, themselves constituting an intellectual resource contributing substantially to the wellbeing of the state by their teaching and through their research in the public interest. This year the independent colleges and universities have an aggregate of $400 million of operating budgets, and their total assets exceed $1 billion. They attract significant gift moneys which would otherwise not be added to the state's educational resources. With limited funds for financial aid, they nevertheless share substantially in educating the economically and culturally disadvantaged.

Because of the independent colleges and universities, there is greater diversity in higher education and more specialization of goals and objectives. Built on a variety of philosophic foundations, such institutions preserve cultural, ethical, and moral values basic to the Judaeo-Christian heritage in western civilization. As is appropriate in a democracy, they provide value-oriented programs. They are an expression of the conviction that there are different approaches and communities and value systems, all of which may legitimately be employed in the education of the next generation. They supply leaders for state, nation, and church.

The private sector sustains and encourages competition and creative tension. A state monopoly in higher education has never produced, and is not likely to produce, the best results or maintain the highest standards of quality. Cross-fertilization among competing institutions, the essence of the dual system which is unique to America, is basic to a free society. Uniformity, conformity, and homogeneity are avoided by diversity, the competition of ideas, and different kinds of sponsorship. The private institutions furnish another yardstick by which to measure the quality of instruction, efficiency of operation, research, public service, and academic freedom of the public sector.

Private colleges can be less subject to outside pressures than public institutions. The multiple sources of support of the private sector enhance the freedom to innovate, set standards, emphasize values, experiment, challenge, and expand and contract programs with fewer restrictions than the public institutions. The independence of the private college makes it freer to commit its resources, more flexible, and more responsive to community needs.

The private sector includes many small colleges. These institutions provide advantages not available at the larger university. Among them is greater interaction among all members of the academic community. Students are taught by faculty whose primary attention is to undergraduate education. The president can know all members of the staff. Faculty members have closer association with colleagues from a variety of disciplines. Students can interact more freely with administrators, faculty, and each other. And individual problems are more readily recognized and resolved than in a larger, necessarily more impersonal setting. The private college emphasizes the pre-eminent values of a democratic society, including devotion to the sanctity, dignity, and worth of the individual person. Nothing is more precious than human life, and nothing so enriches human life as education of genuine substance and quality.

A word about accountability. Private institutions are required by their own systems to account fully and publicly for their operations. Their trustees, overseers, alumni, accrediting agencies, and contributing friends are all active elements in a wide process of accountability. Those private institutions willing to accept funds from the state must be equally willing to account for them, just as state-assisted institutions do, but not to the extent of jeopardizing their independence. If their freedom is thus compromised, the investment of public funds will be self-defeating.

Recognition of the contributions made by Ohio's private colleges and universities and of the state's responsibility to sustain and support them is explicit in the MASTER PLAN... of 1966, as noted above. It is gratifying that the revision of 1976 was even more graphic and detailed in this regard. Chapter IV of this document depends heavily on a 1975 publication of the Ohio Board of Regents entitled PUBLIC POLICY TOWARD INDEPENDENT COLLEGES IN OHIO.

Association of Independent Colleges and Universities of Ohio
Rev. February 1979

PUBLIC INVESTMENT
in
PRIVATE COLLEGES AND UNIVERSITIES

-- IMPLEMENTATION

As transition from this Association's first statement entitled "Public Investment in Private Colleges and Universities," it will be helpful to cite the legislative position paper adopted by the Board of Directors of the Association of American Colleges in January 1974. Objectives are listed as follows:

> "1. To achieve maximum economy for the taxpayer through efficient use of existing higher education resources.
> "2. To minimize financial barriers which now deny many students their freedom to attend the colleges or universities of their choice.
> "3. To provide institutional accountability in both public and private sectors to the public generally and to parents and students in particular.
> "4. To preserve the uniquely American system of higher education with its strong private sector operating as a check against exclusive political control which would inhere in a monolithic public system."

Then follows this statement of Program:

> "The Association of American Colleges has long advocated a legislative program which would provide a balanced plan of student financial assistance, categorical support and general institutional aid. It reiterates now its advocacy of direct student grants from federal, state, and private sources as the highest priority, based on need and adjusted to institutional charges, to be accompanied by adequately funded programs of national direct student loans, work/study and guaranteed loans."

The program advocated for Ohio accords with the foregoing. But before specifying that program it is well to acknowledge the extent of public investment in private colleges and universities already established. Such institutions are exempt from sales and property taxes; contributions to them are tax deductible; and they have at their service such state agencies as the Ohio Board of Regents, Higher Educational Facilities Commission, and Student Loan Commission. They have the right of eminent domain. They have benefited by contracts for services. With the passage of the Uniform Management of Institutional Funds Act (Amended Senate Bill No. 171 of the 111th General Assembly) they have greater freedom for the professional management of endowments. They will benefit by reciprocity of student financial aid across state lines, which will combat provincialism on the one hand and foster choice among institutions and diversity of educational opportunity on the other. They will benefit by the Ohio Academic

Scholarship program as they attract recipients, students of outstanding accomplishment and high potential. And they will continue to benefit by the Ohio Instructional Grant program, whose mention leads into the legislative agenda necessary to assure the vital partnership of the independent with the public colleges and universities in a dual system best suited to satisfy the needs of the people of Ohio.

New legislative thrusts are under consideration and will shortly be laid before the Board of Directors of the Association of Independent Colleges and Universities of Ohio for approval. Meanwhile, the following remain of the orginal goals:

1. We favor further improvement of the Ohio Instructional Grant program. Minimum stipends should be increased, and the maximum stipend for the student attending a private institution should be increased to $2,010 ($810 in the public sector). Half- as well as full-time undergraduate students should be eligible. The maximum family income for a maximum grant should be increased to $6,000. The maximum family income for eligibility to participate in the program should be increased to $20,000 per year. Tables of grants should be extended to cover as many as 10 dependent children.

2. The Regent's proposals for 1975-77 contained the recommendation that "following grants" be established at the rate of $750 per student in the private sector who qualifies for an Ohio Instructional Grant and who comes from a family whose annual income is less than $9,000. The supposition was that these students would be from disadvantaged backgrounds and would require extra help to catch up and keep up with their classmates. We approve the implementation of a "following grants" program as a form of student aid. Such grants should go with all Ohio students, whether or not they have OIGs, to the Ohio private institutions they attend and thereby help to contain the tuition gap. It should be noted that the difference between public and private sector tuitions has already exceeded $2,000.

3. We shall work with the Ohio Board of Regents and our sister associations in Ohio's contiguous states to implement the flow of student financial aid across state lines on a reciprocal basis as authorized by Amended Senate Bill No. 94 of the 112th General Assembly. We applaud the first such agreement, effected with Pennsylvania in 1978.

4. This Association has also endorsed the Regents' proposal to establish a program of selective innovation and system improvement grants, for which private institutions would be at liberty to compete on equal footing with the public. The Regents requested $5 million for this purpose, with an additional $2 million for research, during the 1975-77 biennium. They asked for $2 million for 1977-79. Neither request was funded. The request was dropped for 1979-81.

The foregoing series of programs, together with those already established and others to come, should go far to stop Ohio's "brain drain" and foster the development of individual capabilities. The best and only assurance of effective and enduring democratic government and society is an enlightened (educated) citizenry. Therefore, the compelling mandate is to assure that every individual can be educated to the maximum limits of his/her educability. Access, choice, and diversity of educational opportunities are essential to this vital goal.

Association of Independent Colleges and Universities of Ohio
Rev. February 1979

ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO
50 West Broad Street, Suite 711, Columbus, Ohio 43215

STUDENT CHOICE GRANTS

Ohio's state-assisted and independent colleges and universities serve the public interest well. Together they constitute a dual system which provides the student with greater access to postsecondary education. They also provide choice among those institutions best suited to satisfy the student's educational needs. Diversity of educational opportunities is one of the bulwarks of our democratic way of life.

If access, choice, and diversity are to be preserved and enhanced, their importance must be recognized and supported by the people and government of the state. The efficient and effective carrying out of educational functions is the responsibility of the colleges and universities. But the people and government must assure among all components of the dual system a competition as fair as possible. If public and private sectors are well balanced, excellence is demanded of each. In contrast to the arbitrary dictates of a monopolistic or monolithic system, both public and private institutions are forced to consider student needs and provide quality educational experiences in order to attract and hold students.

One of the principal ways to assure fair competition is to establish and maintain a reasonable balance of tuition levels between the independent and state-assisted sectors of higher education. But this has not been the experience of recent years. Average instructional charges (tuition) in Ohio over the last 13 years have been as follows:

Academic Year	Public Universities	Independent Colleges
1965-66	$573.30	$1,066.07
1971-72	707.50	1,883.12
1977-78	885.00	2,737.95

Thus during this period tuition at the public universities has increased $311.70, or 54%; among the independent institutions it has increased $1,671.88, or 156%.

But even more striking--and alarming--is the increase in the gap between the average tuition rates in the two sectors. During the same 13-year period, this gap increased $1,360.18, or 276%. Prospects are that the gap will widen another $150 for the academic year 1978-79.

The average per student subsidy paid by taxpayers for each student enrolled as an undergraduate in the four-year state-assisted universities over the last 13 years has increased as follows:

1965-66	$ 52[illegible].
1971-72	951.
1977-78	1,800.

It is notable that these figures are roughly comparable both in size and in rate of increase to the tuition gap. This is strong evidence that the total cost of educating undergraduates is not less in the public sector than in the private. The actual cost of education is not to be confused with the more visible charges to students.

To go back for a moment in time, be it noted that the Ohio Instructional Grant program was orginally intended to contain the tuition gap. It is obvious that it has not had that effect, though the program has been immensely valuable for other reasons to the college-going people of the state and the institutions they have attended. The program has indeed facilitated access, but it has not improved choice.

Looking forward to continuation and still further improvement of service in the public interest, the Association of Independent Colleges and Universities of Ohio proposes a new system of tuition equalization grants to go with each full-time Ohio undergraduate student to the Ohio independent college or university he or she chooses to attend. Such programs are already in place in a number of other states and have proven to be both effective and helpful. The amount of each tuition equalization grant in Ohio might be fifty percent (50%) of the per student subsidy for undergraduates in the 12 state-assisted universities. During 1977-78, then, each grant would have been at the $900 level. The program should be phased in with entering freshman classes over a four-year period beginning in the fall of 1979.

Such a program will provide the private sector with protection against further erosion of financial position. It will strengthen the dual system. It will save the taxpayers of the state a great amount of public subsidy. Think for a moment of the cost of absorbing all the Ohio students currently enrolled in Ohio's independent sector into the state-assisted institutions, if there were no independent colleges and universities. Think of the disastrous intellectual, cultural, scientific, and economic consequences. In economic terms alone, the private sector constitutes a billion dollar industry for Ohio.

We do not see tuition equalization grants as substituting for any program of financial aid to students presently in place. Indeed, many of these need improvement. A case in point, and perhaps most important, is the Ohio Instructional Grant program, whose maximum grants have not been increased since 1974.

Given the failure of the Ohio Instructional Grants to contain the growing tuition gap, this Association sees the need for the establishment of a tuition equalization program. It will increase access, it will broaden choice, and it will enhance diversity of educational opportunity. It will assure fair competition between and among Ohio's colleges and universities for the benefit of all.

ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO Rev.
50 West Broad Street, Suite 711, Columbus, Ohio 43215 2/79

PORTABILITY AND RECIPROCITY OF STUDENT FINANCIAL AID ACROSS STATE LINES

The only assurance of an effective and enduring democratic society is an enlightened (educated) citizenry. Therefore, the compelling mandate is to provide for every individual to be educated to the maximum limits of his or her educability. Access, choice, and diversity of educational opportunity are essential to this vital goal.

To put institutions and programs of post-secondary education within geographical and financial reach of nearly every American has not been easy, but we are well on the way to providing such access, if indeed we have not overdone it in some quarters. And the dual system of higher education unique to America is designed to assure choice, enabling each person to select that school, college, or university best suited to satisfy his or her educational needs. Diversity fostered by the dual system is virtually limitless, there standing side by side across the nation almost every manner of independent, proprietary, public, two-year, four-year, liberal arts, vocational, pre-professional, paraprofessional, and professional program and institution it is possible to imagine.

In recent years many government support programs have been established to help each citizen attain his or her educational objectives. The federal and many state governments have invested billions of dollars to facilitate access, broaden choice, and enhance diversity. It is therefore disappointing if not ironic that some of these programs have had a reverse effect in part, because they have applied geographic constraints. Most of the states have said in effect that access, choice, and diversity are available only within their own political boundaries. A student's attendance at an institution outside his or her own state means that, however great the potential and compelling the need, he or she is denied participation in the home state's programs of financial support and does not qualify for those of the state in which he or she may be enrolled. The greater numbers of state programs have developed since the 1960s, and it is precisely over the same period that the migration of students across state lines has diminished in many areas. This was not the only reason for such an undesirable trend, but it is a significant one.

Unrestricted portability of student financial aid across state lines is the ideal solution of the problem. But it does not appear to be attainable as an objective at this point, except of course for funds from federal sources. But both feasible and necessary to sustain access, choice, and diversity is reciprocity, established on a bilateral basis, among contiguous states, regionally, or otherwise multilaterally. There already are such arrangements, though relatively few in number and often restricted as to purpose and scope. And currently among state associations of independent colleges and universities and other agencies there are plans to establish and broaden reciprocity.

Given the proper balancing mechanism, reciprocal agreements need not entail financial loss. Reciprocity will lessen the dangers of creeping if not galloping provincialism. It will strengthen healthy competition for talent. It will facilitate the interchange and interplay of cultures and customs. It will reduce political constraints on mobility and reassert the importance of a free market in brainpower. Reciprocity will help to preserve our educational system and our democratic way of life.

The 112th General Assembly of Ohio in 1977 passed a law authorizing reciprocity of student financial aid with Ohio's contiguous states. Under this act, the first agreement, with Pennsylvania, went into effect in the fall of 1978. Legislation is pending in, and preliminary planning is developing with, other states.

FED
3/76

RESIDENCE AND MIGRATION OF STUDENTS, FALL 1975
AS REPORTED BY
36 PRIVATE AND 12 PUBLIC OHIO COLLEGES AND UNIVERSITIES

State of Origin	Public Sector	Private Sector	Total
Alabama	107	69	176
Alaska	9	18	27
Arizona	45	55	100
Arkansas	40	28	68
California	384	311	695
Colorado	78	84	162
Connecticut	395	951	1346
Delaware	82	109	191
D.C.	137	194	331
Florida	344	310	654
Georgia	156	133	289
Hawaii	36	43	79
Idaho	17	9	26
Illinois	1040	1211	2251
Indiana	956	1148	2104
Iowa	104	82	186
Kansas	65	66	131
Kentucky	1302	1275	2577
Louisiana	64	32	96
Maine	34	69	103
Maryland	440	721	1161
Massachusetts	338	774	1112
Michigan	1018	993	2011
Minnesota	109	106	215
Mississippi	50	46	96
Missouri	185	245	430
Montana	20	7	27
Nebraska	41	27	68
Nevada	16	6	22
New Hampshire	50	78	128
New Jersey	1550	2053	3603
New Mexico	29	32	61
New York	2650	3700	6350
North Carolina	184	119	303
North Dakota	14	15	29
Ohio	213496	47615	261111
Oklahoma	62	35	97
Oregon	49	34	83
Pennsylvania	3644	3682	7326
Rhode Island	61	79	140
South Carolina	73	49	122
South Dakota	22	25	47
Tennessee	176	180	356
Texas	187	113	300
Utah	28	7	35
Vermont	40	43	83
Virginia	448	413	861
Washington	69	44	113
West Virginia	426	645	1071
Wisconsin	212	191	403
Wyoming	8	6	14
American Samoa	Not Reported		
Canal Zone		2	2
Guam		1	1
Puerto Rico		27	27
Trust Territories		1	1
Virgin Islands		11	11
Foreign Countries	3319	1420	4739
Unknown	33	95	128
Totals	234442	69835	304277
In-Migration	20913	22220	43133

CHANGES IN PATTERNS OF ATTENDANCE
at
OHIO COLLEGES AND UNIVERSITIES
by
STUDENTS FROM SELECTED STATES
FALL 1968 to FALL 1975

CONTIGUOUS STATES

	Fall 1968	Fall 1975
Indiana	2529	2104
Kentucky	2999	2577
Michigan	2418	2011
Pennsylvania	12731	7326
West Virginia	1291	1071
	21968	15089

NORTHEASTERN STATES

	Fall 1968	Fall 1975
Connecticut	1688	1346
Massachusetts	1738	1112
New Jersey	6268	3603
New York	11265	6350
Pennsylvania	12731	7326
West Virginia	1291	1071
	34981	20808

MIDWESTERN STATES

	Fall 1968	Fall 1975
Illinois	3475	2251
Indiana	2529	2104
Iowa	247	186
Michigan	2418	2011
Minnesota	295	215
Wisconsin	506	403
	9470	7170

ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO
50 West Broad Street, Suite 711, Columbus, Ohio 43215

Several analytical studies suggest that current attitudes and practices relative to higher education in Ohio are paving the way for a serious decline in tomorrow's economic strength. The following eight points from such studies are outlined by Professor Alan H. Ruben of Cleveland State University in an article entitled "Doubt Cast on Ohio's Future Growth," published in the Cleveland PLAIN DEALER on March 29, 1975.

FACTORS IMPORTANT TO OHIO'S FUTURE ECONOMY

1. Ohio lags 27% below the national average in the number of persons (38 per 1,000 in Ohio) enrolled in post-secondary education.
2. Those states with relatively high economic growth rates are now educating a significantly larger share of students than Ohio.
3. Ohio's enrollment deficiency has been growing larger over the last 10 years.
4. College educated persons are migrating out of Ohio faster than others enter.
5. Soon Ohio residents will be significantly less well educated than the rest of the country.
6. Future industrial/business/economic growth enterprises are likely to require highly educated, well trained work forces and substantial research, laboratory centers.
7. Since 1954 the Ohio per capita income growth has been smaller than any other Great Lakes state.
8. The locus of economic growth is shifting to the Southwest and the far West where there has been a heavy investment in higher education.

April 1975

STATE APPROPRIATIONS FOR HIGHER EDUCATION
nearly $17 billion earmarked
1978-79

Appropriations 1975-76 to 1977-78 percentage increase		1977-78 Appropriations per capita		1977-78 Appropriations per $1000 of personal income	
42% (high)	1. Mississippi	$176.27 (high)	1. Alaska	$[illegible]3.22 (high)	1. Mississippi
	2. Alabama	$130.00	2. Hawaii		2. Alabama
	3. New Mexico	$120.00	3. Wyoming		3. Utah
	4. New Jersey	$110.00	4. California	$17.00	4. Hawaii
	5. Tennessee		5. Utah		5. Alaska
	6. Kentucky		6. Washington		6. New Mexico
	7. Vermont		7. Alabama		7. S. Carolina
	8. Georgia	$100.00	8. Minnesota		8. Idaho
30%	9. Louisiana		9. Idaho	$16.00	9. N. Carolina
	10. Oklahoma		10. New Mexico		10. Wyoming
	11. Wyoming		11. Kansas		11. N. Dakota
	12. Utah		12. Arizona	$15.00	12. Arizona
	13. N. Carolina		13. Iowa	$14.00	13. Minnesota
	14. Kansas		14. N. Carolina		14. Washington
	15. California		15. N. Dakota		15. Iowa
	16. S. Carolina		16. Wisconsin		16. Wisconsin
	17. N. Dakota		17. S. Carolina		17. California
	18. Michigan		18. Mississippi		18. Nebraska
	19. Florida		19. Colorado		19. Kansas
	20. Washington	$ 90.00	20. Nebraska		20. W. Virginia
	21. Connecticut		21. Oregon	$13.00	21. Kentucky
22% (US avg.)	22. Arkansas		22. Delaware		22. Colorado
	23. Minnesota		23. Virginia		23. Oregon
	24. Idaho		24. Texas		24. Virginia
	25. Iowa		25. Michigan		25. Louisiana
	26. Virginia	$ 80.00	26. W. Virginia	$12.00	26. Texas
	27. New Hampshire		27. New York		27. Arkansas
	28. OHIO		28. Nevada		28. Montana
20%	29. Missouri		29. Kentucky		29. Georgia
	30. W. Virginia	$ 78.67 (US avg.)	30. Illinois		30. Tennessee
	31. Wisconsin		31. Montana	$11.22 (US avg.)	31. S. Dakota
	32. Illinois		32. Indiana		32. Oklahoma
	33. S. Dakota		33. Louisiana	$11.00	33. Delaware
	34. Nevada		34. Rhode Island		34. Michigan
	35. Arizona		35. Maryland		35. New York
	36. Rhode Island	$ 70.00	36. Oklahoma		36. Rhode Island
	37. Montana		37. Georgia		37. Indiana
	38. Indiana		38. Connecticut	$10.00	38. Nevada
	39. Hawaii		39. S. Dakota		39. Florida
	40. Oregon		40. Arkansas		40. Vermont
	41. Nebraska		41. Tennessee		41. Maryland
	42. Colorado		42. Florida		42. Illinois
	43. Maine	$ 60.00	43. Missouri	$ 9.00	43. Missouri
	44. Maryland		44. Pennsylvania		44. Pennsylvania
	45. New York		45. OHIO		45. Connecticut
	46. Texas		46. Vermont	$ 8.00	46. OHIO
	47. Massachusetts		47. New Jersey		47. Maine
	48. Delaware	$ 50.00	48. Massachusetts	$ 7.00	48. Massachusetts
	49. Alaska		49. Maine		49. New Jersey
10% 6% (low)	50. Pennsylvania	$ 40.00 $ 32.44 (low)	50. New Hampshire	$ 6.00 $ 5.00 $ 4.97 (low)	50. New Hampshire

HIGHER EDUCATION BY STATES

Analysis of State Funds for Higher Education

	1978-79 Appropriations (a)		Appropriations per capita (b)		Approp. per $1,000 of personal income (c)		2-year change (d)		10-year change (e)		2-year change minus inflation (f)		10-year change minus inflation (g)	
	Amount	Rank	Amount	Rank	Amount	Rank	Per cent	Rank	Per cent	Rank	Per cent	Rank	Per cent	Rank
Alabama	$ 374,332,000	15	$101.44	7	$16.04	2	+39%	2	+340%	2	+23%	2	+237%	2
Alaska	71,742,000	40	176.27	1	18.64	5	+11%	49	+583%	1	− 3%	49	+262%	1
Arizona	216,166,000	29	95.02	12	14.60	12	+18%	36	+290%	12	+ 4%	36	+106%	12
Arkansas	140,319,000	35	65.45	40	11.81	27	+22%	22	+215%	31	+ 7%	32	+ 66%	31
California	2,338,110,000	1	106.58	4	13.47	17	+28%	15	+262%	22	+12%	15	+ 92%	22
Colorado	237,310,000	26	90.61	19	12.66	22	+15%	42	+236%	27	+ 1%	42	+ 77%	27
Connecticut	206,901,000	30	66.57	38	8.26	45	+23%	21	+235%	26	+ 8%	21	+ 77%	26
Delaware	48,831,000	46	83.60	22	10.81	33	+13%	48	+246%	24	− 1%	48	+ 82%	24
Florida	635,806,000	8	63.39	42	9.48	39	+27%	19	+242%	25	+ 8%	19	+ 80%	25
Georgia	346,731,000	17	68.69	37	11.42	29	+31%	8	+208%	32	+15%	8	+ 62%	32
Hawaii	113,767,000	38	127.11	2	16.50	4	+16%	39	+267%	19	+ 2%	39	+ 95%	19
Idaho	83,787,000	39	97.78	9	16.34	6	+21%	24	+307%	8	+ 7%	24	+114%	8
Illinois	815,782,000	4	72.55	30	9.34	42	+19%	32	+171%	42	+ 5%	32	+ 43%	42
Indiana	384,376,000	13	72.12	32	10.42	37	+17%	38	+165%	44	+ 3%	38	+ 40%	44
Iowa	272,726,000	24	94.73	13	13.77	15	+21%	25	+216%	30	+ 7%	25	+ 67%	30
Kansas	222,2[illegible],000	27	95.54	11	13.38	19	+28%	14	+222%	29	+13%	14	+ 69%	29
Kentucky	272,909,000	23	78.92	29	13.27	21	+33%	6	+231%	28	+17%	6	+ 75%	28
Louisiana	278,954,000	21	71.14	33	12.03	25	+30%	9	+181%	38	+14%	9	+ 48%	38
Maine	48,966,000	45	45.13	49	7.87	47	+16%	43	+145%	48	+ 1%	43	+ 29%	48
Maryland	292,755,000	18	70.73	35	9.34	41	+14%	44	+267%	20	0%	44	+ 93%	20
Massachusetts	273,333,000	22	47.27	48	6.51	48	+13%	47	+296%	13	− 1%	47	+108%	13
Michigan	733,976,000	5	80.40	25	10.55	34	+24%	18	+180%	39	+ 9%	18	+ 47%	39
Minnesota	393,358,000	12	98.90	8	13.86	13	+21%	23	+274%	17	+ 7%	23	+ 97%	17
Mississippi	216,980,000	28	91.65	18	18.22	1	+42%	1	+355%	4	+25%	1	+141%	4
Missouri	284,836,000	19	58.33	43	8.82	43	+20%	29	[illegible]	47	+ 6%	29	+ 33%	47
Montana	55,050,000	43	72.34	31	11.81	26	+17%	37	+125%	50	+ 3%	37	+ 19%	50
Nebraska	140,529,000	34	90.03	20	13.40	18	+15%	41	+322%	7	+ 1%	41	+123%	7
Nevada	50,112,000	44	79.17	28	9.91	38	+18%	34	+305%	9	+ 4%	34	+114%	9
New Hampshire	27,542,000	49	32.44	50	4.97	50	+20%	27	+168%	43	+ 6%	27	+ 42%	43
New Jersey	370,[illegible],000	16	50.37	47	6.33	49	+35%	4	+290%	15	+19%	4	+106%	15
New Mexico	114,458,000	37	95.18	10	16.42	8	+36%	3	+266%	21	+19%	3	+ 93%	21
New York	1,421,407,000	2	79.30	27	10.52	35	+14%	45	+194%	37	0%	45	+ 56%	37
North Carolina	521,883,000	9	94.45	14	15.91	9	+28%	13	+355%	5	+13%	13	+140%	5
North Dakota	61,240,000	42	93.78	15	15.14	11	+25%	17	+206%	33	+10%	17	+ 62%	33
Ohio	604,651,000	7	56.50	45	7.96	46	+20%	28	+247%	23	+ 6%	28	+ 83%	23
Oklahoma	198,584,000	32	69.84	36	11.02	32	+29%	10	+272%	18	+14%	10	+ 96%	18
Oregon	204,000,000	31	85.88	21	12.25	23	+15%	40	+200%	36	+ 2%	40	+ 58%	36
Pennsylvania	690,128,000	6	59.32	44	8.46	44	+ 6%	50	+164%	46	− 7%	50	+ 39%	46
Rhode Island	66,341,000	41	70.95	34	10.48	36	+16%	36	+206%	34	+ 4%	36	+ 63%	34
South Carolina	235,076,000	25	82.17	17	16.38	7	+26%	16	+438%	3	+11%	16	+185%	3
South Dakota	45,509,000	48	66.05	39	11.09	31	+19%	33	+166%	45	+ 4%	33	+ 40%	45
Tennessee	280,466,000	20	65.24	41	11.29	30	+33%	5	+283%	16	+17%	5	+102%	16
Texas	1,042,243,000	3	81.23	24	11.94	28	+13%	46	+302%	10	0%	46	+112%	10
Utah	132,047,000	36	104.14	5	17.58	3	+29%	12	+292%	14	+13%	12	+108%	14
Vermont	26,476,000	50	54.82	46	9.41	40	+31%	7	+140%	49	+ 15%	7	+ 27%	49
Virginia	425,797,000	11	82.82	23	12.09	24	+21%	26	+296%	11	+ 7%	26	+109%	11
Washington	380,250,000	14	103.95	6	13.81	14	+23%	20	+177%	41	+ 8%	20	+ 46%	41
West Virginia	148,120,000	33	79.88	26	13.31	20	+20%	30	+202%	35	+ 6%	31	+ 59%	35
Wisconsin	433,462,000	10	93.20	16	13.53	16	+19%	31	+180%	40	+ 5%	30	+ 47%	40
Wyoming	47,043,000	47	115.87	3	18.31	10	+29%	11	+323%	6	+13%	11	+124%	6
50-State Total	$16,594,000,000		$ 75.67		$11.22		+22%		+238%		+ 7%		+ 79%	

(a) Reported by M. M. Chambers of Illinois State University as state tax funds appropriated for operating expenses and scholarship programs for higher education. Not included are appropriations for capital outlay or sums which clearly originated from sources other than state taxes, such as student fees. Included are appropriations for annual operating expenses even if appropriated to some other agency of the state for ultimate allocation to institutions of higher education. Pre-allocated state taxes whose proceeds are dedicated to any institution of higher education are included even though the process of periodic appropriation by the legislature may be bypassed. Also included are state tax funds appropriated for scholarships and statewide governing or coordinating boards.

(b) State appropriations divided by the U. S. Census Bureau's provisional estimates of resident population of the states for 1977.

(c) State appropriations divided by state personal income, in thousands of dollars, reported by the U. S. Commerce Department for 1977.

(d) Increase in appropriations for 1978-79 over those for 1976-77, as reported by M.M. Chambers.

(e) Increase in appropriations for 1978-79 over those for 1968-69, as reported by M.M. Chambers.

(f) Two-year increase in appropriations adjusted for inflation of 13.6 per cent during the two years ending last June, as measured by D. Kent Halstead's Higher Education Price Index of prices paid by colleges and universities for goods and services.

(g) Ten-year increase in appropriations adjusted for inflation of 88.9 per cent during the 10 years ending last June, as measured by the Higher Education Price Index.

THE CHRONICLE OF HIGHER EDUCATION, October 10, 1978, p. 14.

ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES OF OHIO

WHERE YOUR STATE STANDS*

State and Local Taxes
Payments during year ending June 30, 1976

	Share of Personal Income	Tax Collections Per Person		Share of Personal Income	Tax Collections Per Person
Alaska	21.8%	$1,895.84	Washington	11.9%	$ 728.00
New York	17.3%	1,139.94	New Jersey	11.8%	792.83
Vermont	15.1%	742.00	North Dakota	11.7%	666.91
California	14.9%	964.20	District of Columbia	11.7%	924.05
Massachusetts	14.7%	902.71	Idaho	11.6%	590.38
Hawaii	14.6%	934.68	Pennsylvania	11.5%	683.91
Wyoming	14.4%	846.56	Iowa	11.5%	700.64
Minnesota	14.3%	822.68	Delaware	11.4%	768.30
Maine	14.2%	671.42	Illinois	11.4%	769.42
Wisconsin	14.0%	790.57	Kentucky	11.4%	548.66
Arizona	13.9%	731.43	Connecticut	11.2%	777.84
Montana	13.2%	708.88	Kansas	11.0%	651.27
New Mexico	12.8%	598.12	Georgia	10.9%	548.65
Maryland	12.7%	814.25	Nebraska	10.9%	657.62
Nevada	12.7%	820.32	New Hampshire	10.8%	571.44
Louisiana	12.6%	609.84	South Carolina	10.7%	489.20
U. S. AVERAGE	12.5%	730.52	North Carolina	10.7%	527.26
Oregon	12.4%	703.39	Virginia	10.7%	609.19
Colorado	12.4%	728.00	Texas	10.5%	581.29
Utah	12.3%	592.56	Indiana	10.4%	588.14
Rhode Island	12.2%	710.52	Missouri	10.4%	570.20
South Dakota	12.2%	596.32	Oklahoma	10.3%	529.75
Michigan	12.1%	749.04	Tennessee	10.1%	493.17
Mississippi	12.0%	486.19	Florida	10.1%	565.80
West Virginia	12.0%	584.09	OHIO	10.0%	585.79
			Alabama	9.9%	455.19
			Arkansas	9.8%	453.74

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*These data appeared in the November 14, 1977, issue of U. S. NEWS AND WORLD REPORT.